



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1999**

CITY OF FORT SMITH, ARKANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 1999

Prepared By The

CITY OF FORT SMITH, ARKANSAS
FINANCE DEPARTMENT

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April 20, 2000

To the Honorable Mayor and Board of Directors,
City of Fort Smith, Arkansas:

INTRODUCTION

The Comprehensive Annual Financial Report of the City of Fort Smith, Arkansas (the "City"), for the fiscal year ended December 31, 1999, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City and its discretely presented component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in five sections: Introductory, Financial, Single Audit, Statistical, and Other. The Introductory Section includes this transmittal letter, the 1998 Certificate of Achievement for Excellence in Financial Reporting and the City's organization chart. The Financial Section includes the general purpose financial statements, the combining, individual fund and account group financial statements and schedules, supplementary information, and combining statements for discretely presented component units, as well as the report of independent public accountants on the financial statements and schedules. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the Schedule of Expenditures of Federal and State Awards and reports of independent public accountants on the internal control structure and compliance with applicable laws and regulations, are included in the Single Audit Section of this report. The Statistical Section includes selected financial and demographic information, generally presented on a multiyear basis. The Other Section includes the Report of Independent Public Accountants on Compliance with Arkansas State Statutes.

This report includes all funds and account groups of the City and its component units. The City provides a full range of services. These services include police and fire protection; sanitation services; water and sewer utilities services; the maintenance and construction of highways, streets, and infrastructure; parks and recreation services; and planning, zoning, and general administrative services. In addition to general government activities, the City is accountable for the Municipal Court Retirement System; therefore, these activities are reported as part of the City. Although the Fort Smith Regional Airport, the Fort Smith Parking Authority, the Advertising and Promotion Commission, and the Fort Smith Public Library are legally separate from the City, the relationship between these entities and the City is such that the Airport, Parking Authority, Advertising and Promotion Commission, and the Public Library are included as a part of the reporting entity in the general purpose financial statements.

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ECONOMIC CONDITION AND OUTLOOK

The City is the economic and employment center of western Arkansas and eastern Oklahoma. According to the Chamber of Commerce data, new and expanding industries and businesses have created more than 21,000 new jobs in the past five years. Private capital investment by local businesses and industries has exceeded \$1.8 billion in the past five years. Fort Smith, the state's second largest city, enjoys a metropolitan area population of 220,000 and a residential population of nearly 73,000. The unemployment rate for 1999 was 3.3% compared with 4.3% for 1998. The 1% sales and use tax assessed by the City increased 5.4% for the year and the City's share of the Sebastian County 1% sales and use tax increased by 5% for the year. The ½% sales and use tax assessed by the City which became effective January 1, 1998, for the purpose of providing funding for the repayment of the \$45.655 million sales tax bond issue for the improvements to the civic center, main library, three branch libraries, and the riverfront park increased by 5.4% for the year. The estimated increase in sales tax between years was budgeted at 3%.

The City provides a full range of municipal services. In addition, the City provides contract water service to an additional 60,000 citizens in 12 suburban communities and contract wastewater treatment for two small suburban communities. The City's capacity for water production is approximately 45 million gallons per day.

The City is continuing to recover from the April 21, 1996, tornado which caused significant damage to historic buildings, including the downtown area, industrial buildings, residential structures, and publicly owned structures. The City's major wastewater treatment plant was severely damaged and portions of the plant are being rebuilt. An engineering estimate of the cost to replace the plant is approximately \$7.7 million. The City sustained minor damage to other facilities including fire stations, parks, and the cemetery. The City received approximately \$1 million in insurance proceeds and \$1.7 million in Federal Emergency Management Agency (FEMA) reimbursements during 1998 and 1999, respectively relating to the City's major wastewater treatment plant, and City management expects the remaining construction costs needed to rebuild the plant to be funded by sales tax collections allocated to wastewater improvements.

MAJOR INITIATIVES

For the Year

This has been another exceptionally good and successful year for the City. In 1999, the City's leadership produced the following accomplishments:

- Began the construction of \$59.6 million in community improvements to include:
 - new and expanded civic center (\$33.6 million)
 - new main branch and three neighborhood libraries (\$20.3 million)
 - riverfront improvements (\$5.7 million)
- Successfully implemented a FEMA Flood Mitigation program, and "owner voluntary" program designed to acquire residential property which is prone to repeated flooding. Efforts were targeted around the Howard School area. Approximately 20 properties have been acquired and the structures have been or will be removed from the floodway. This year, an additional \$450,000 has been committed to this program by the Arkansas Department of Emergency Services.

- Issued \$26.4 million in water and Sewer Improvement Bonds to provide financing for improvements to the Lee Creek Water plant, improvements to the existing water transmission, storage and distribution system, relocation of the Lake Fort Smith State Park in order to accomplish the Lake Fort Smith Water Supply Expansion Project, engineering work on the Lake Fort Smith Water Supply Expansion project, and associated water system improvements.
- Implemented solid waste collection and disposal rates which will become effective January 1, 2000. These rates are expected to provide sufficient revenue for all costs of the sanitation operations including debt service and current and future capital improvements.

For The Future

The City has long been the leading catalyst for civic progress, an improved infrastructure, regional economic growth, and cooperative community problem solving. Long-term economic growth and development is the City's highest priority. As a result, the City will need to focus its attention and resources on several critical policy issues that will be facing the City in 2000 and 2001:

- Continue to fulfill the various commitments, as amended, in the special voter-approved 1994 City-County operating sales tax to improve public safety, to meet the needs of senior citizens, as well as to improve parks, transit, and other services. The City's share of the special tax is estimated to be approximately \$120,000,000 over the ten-year life of the temporary tax.
- Continue to fulfill the various commitments in the special voter-approved 1995 sales tax for street, bridge, and drainage improvements. Commitments include balancing neighborhood and Citywide improvements as equally as possible, and balancing neighborhood improvements as equally as possible among each of the four wards. The special street sales tax is estimated to generate \$160.0 million over the ten-year life of the temporary tax.
- Begin the construction of the \$18.1 Phoenix Avenue West widening project in the form of right-of-way clearing and utility relocation as a result of \$8 million in partial funding of the project within the new Federal Transportation Funding Act.
- Begin the construction of the \$7.25 million Old Greenwood Road Phase III reconstruction and widening project as well as the \$6.4 million Massard Road project.
- Complete the construction of \$59.6 million in improvements to the Civic Center, Riverfront, and Library.
- Continue to fulfill the commitments for various other capital improvements including the \$8.3 million in plant modifications and capacity improvements at Lee Creek; the \$9.5 million in land acquisition, park relocation costs and engineering for the Lake Fort Smith Expansion Project; \$12 million in neighborhood water transmission line improvements, wet weather collection system improvements, and pump station improvements; and the \$1.75 million construction for the third phase of the landfill.
- Continue the ongoing effort to adopt a water/wastewater rate structure to adequately fund the capital, operating, and maintenance needs of the utility and in particular, the Lake Fort Smith expansion project and associated treatment plant and transmission line improvements.

- Continue the ongoing and aggressive effort to obtain necessary permitting from the appropriate state and federal agencies for the construction of the Lake Fort Smith expansion.
- Begin the process of retaining a consultant for the purposes of developing a long-range comprehensive plan for the City.
- Continue to improve and strengthen the implementation of a strategic plan including financial alternatives to provide General Fund stability for the future.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the City's single audit, mentioned earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial award programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended December 31, 1999, disclosed no instances of material weaknesses in the internal control structure or material violations of applicable laws and regulations.

Budgeting Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by citizens as the governing body. Activities of the General Fund, the Street Fund in the Special Revenue Funds, the Water and Sewer Operating Fund, and the Sanitation Operating Fund are included in the annual appropriated budget. Project length financial plans are adopted for the Capital Projects Funds and Special Revenue Funds, excluding the Street Maintenance Fund. The level of budgetary control (that is, the level at which expenditures or expenses cannot legally exceed the appropriated amount) is established at the departmental level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances are reflected as a reservation of fund balance in the applicable funds. Unencumbered appropriations lapse at year-end.

General Government Functions

The following schedule presents a summary of the Governmental Fund revenues (excluding component units) for the fiscal year ended December 31, 1999, and the amount and percentage of increases and decreases in relation to prior year revenues:

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1998</u>	<u>Percent of Increase (Decrease)</u>
Taxes	\$ 6,242,972	9.95%	\$ 211,653	8.99%
Sales taxes	29,121,222	46.43	2,522,003	107.11
Licenses and permits	1,188,651	1.90	224,332	9.53
Utility franchise fees	4,224,932	6.74	(12,459)	(.53)
Intergovernmental	15,727,224	25.08	1,149,201	48.81
Fines and forfeitures	1,694,367	2.70	(62,656)	(2.66)
Fees for services	329,352	.52	(54,937)	(2.33)
Interest	3,372,768	5.38	(326,991)	(13.89)
Decrease in fair value of investments	(392,617)	(.63)	(867,327)	(36.84)
Contributions	1,014,852	1.62	319,772	13.58
Miscellaneous	<u>195,964</u>	<u>.31</u>	<u>(748,110)</u>	<u>(31.77)</u>
Total	<u>\$62,719,687</u>	<u>100.00%</u>	<u>\$2,354,481</u>	<u>100.00%</u>

Taxes are derived from the assessment of ad valorem taxes upon the appraised value of real and personal property within the City of Fort Smith. The increase between years is due to an increase in the appraised property values.

Sales taxes include the revenue generated by the 1% City sales and use tax which has been in effect since November 1985, the Sebastian County 1% sales and use tax which became effective in August 1994, and the 1/2% City sales and use tax which became effective in January 1998. Sales taxes in the City and the County were 5.4% and 5%, respectively, more than the previous year due to economic growth. Additionally, 3% more of the total County sales tax was allocated to the General Fund in 1999 rather than this 3% being allocated to an enterprise fund as in 1998. There was a full year of receipts from the 1/2% sales tax for fiscal year 1999 as compared to only 11 months for fiscal year 1998, the first year of the tax assessment.

The increase in licenses and permit fees is due to the approval of higher construction-related fees by the Board of Directors effective May 1999.

The net increase in intergovernmental revenue is due to the FEMA grant funds received in 1999 of \$1.7 million compared to \$1 million in 1998, the HUD grant funds received at \$1.1 million in 1999 compared to \$1.3 million in 1998, and the EDA infrastructure grant received at \$.8 million in 1999 compared to none received in 1998.

Interest revenue decreased due to the excess arbitrage earnings related to the 1997 Sales and Use Tax Construction Fund.

The decrease in fair value of investments is attributable to the market volatility of funds invested in the 1997 Sales and Use Tax Construction Fund.

Contributions increased as a result of the solicitation of contributions from local businesses to fund some of the Civic Center Project items which were deducted from the project bid.

The decrease in miscellaneous revenue is due to the sales tax fund receiving approximately \$700,000 as reimbursement for a street project from the state during 1998. No such reimbursement occurred during 1999.

The following schedule presents a summary of the Governmental Fund expenditures (excluding component units) for the fiscal year ended December 31, 1999, and the percentage of increases and decreases in relation to prior year amounts:

<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1998</u>	<u>Percent of Increase (Decrease)</u>
General government	\$ 3,542,767	5.48%	\$ 451,032	3.80%
Public safety	16,893,976	26.11	1,658,408	13.97
Public works	15,346,680	23.72	(105,756)	(.89)
Community services	2,105,136	3.25	124,081	1.04
Other	1,749,246	2.70	506,284	4.26
Capital outlay	17,572,527	27.16	5,995,525	50.49
Debt service	<u>7,485,305</u>	<u>11.58</u>	<u>3,245,089</u>	<u>27.33</u>
Total	<u>\$64,695,637</u>	<u>100.00%</u>	<u>\$11,874,663</u>	<u>100.00%</u>

The increase in general government expenditures is the result of additional legal fees associated with a lawsuit and the hiring of two deputy city administrators in January 1999. Three positions were vacant during 1998. Also, three new positions for the management information systems program were approved during 1999.

Public safety expenditures increased due to the police pay plan implemented in January 1999. Significant pay increases were granted to uniformed police personnel which increased direct labor costs as well as fringe benefit costs such as retirement contributions. Also, the hiring of three additional firefighters in 1999 contributed to this increase.

Capital outlay expenditures increased as a result of the construction projects associated with the civic center, library, and riverfront beginning in 1999. These projects are funded by the ½% City sales and use tax which became effective in January 1998. The projects include the reconstruction, renovation, and expansion of the civic center, construction of a new main library and three new branch facilities, and the expansion and improvements to the City's downtown riverfront park.

The debt service expenditures are comprised of \$5.52 million in principal payments during 1999 and \$1.97 million in interest costs related to the 1997 Sales and Use Tax Bond issue. Comparable amounts in 1998 were \$2.10 million in principal and \$2.14 million in interest payments. The City called \$2.38 million of the bonds prior to maturity in 1999 compared to \$210,000 called during 1998.

General Fund Balance

The total fund balance of the General Fund at December 31, 1999, is \$2,663,278, compared to a deficit of \$(5,771) at December 31, 1998. The turnaround is attributable to the forgiveness of the repayment of \$2.67 million owed to the Water and Sewer and Sanitation funds, as authorized by the City's Board of Directors. This forgiveness was treated as interfund transfers between the funds. The General Fund balance is expected to increase in future years as the City revised its financial policy regarding fund balances. In accordance with the revised financial policy, the undesignated/unreserved General Fund ending balance shall be maintained at not less than 5% of total expenditures at December 31, 2000, at not less than 10% of total expenditures at December 31, 2001, and at not less than 15% of total expenditures at December 31, 2002, and thereafter. The Board of Directors also authorized the reallocation of the County sales tax from the enterprise funds to the General Fund beginning in 2000 to assist in meeting this goal.

Enterprise Operations

The City's enterprise operations are comprised of two separate and distinct activities: the water and sewer utilities and sanitation services.

Operating revenues of the Water and Sewer Fund increased by approximately 20.2% between years. A water rate increase and a sewer rate increase approved December 1, 1998, and effective January 1, 1999, are the reasons for the revenue increase. Water service revenue increased approximately 24.7% and sewer service revenue increased approximately 14.1%. These increases were achieved even though there was a decrease in consumption of approximately 2.3% between years.

Water and sewer expenses increased by approximately 14.9% between years. Personnel services increased by 4.9% due to the 3% cost of living increase granted January 1, 1998, and the addition of new positions. The 32.6% decrease in contractual services and the 39.4% increase in materials and supplies are related as the City installed sludge handling equipment at both sewer treatment plants in November 1998 whereby the City processes and distributes the sludge rather than a private firm. The depreciation charge in 1999 increased 41.4% over the 1998 charge mainly due to the addition of sludge handling equipment at the end of 1998 and assigning accelerated rates to water and sewer system additions.

Interest and fiscal charges increased by approximately \$286,000 due to the issuance of the 1999 Series Water and Sewer System Revenue Bonds.

Sanitation Fund operating revenues increased approximately 10.3% between years. The increase is due to an increase in commercial roll-off customers and an increase in the amount of waste buried in the landfill.

Sanitation Fund operating expenses increased approximately 14.1% between years. Personnel services increased approximately 8.8% due to the 3% cost of living adjustment effective January 1, 1999, and an increase in positions in order to serve additional customers. Contractual services increased approximately 10.8% in 1999 over 1998 due to the additional state charges paid as a result of the increase in waste disposed at the landfill between years. Materials and supplies increased by approximately 10.0% due to an increase in the current year's charge for closure and postclosure costs. The most significant variation between years is the increase in the charge for depreciation of approximately \$533,000 or 29.5%. The increase in depreciation expense for the year is due to the

change in estimated capacity of the landfill, which has an effect on the depreciation rate because depreciation is calculated on the percentage of consumption method.

The interest and fiscal charges for the Sanitation Fund are approximately \$62,000 less in 1999 as compared to 1998. This is due to the advanced refunding of the 1994 Series Solid Waste Bonds during 1998.

Pension Trust Funds Operations

From December 21, 1976, to March 31, 1997, the City administered a single-employer public employees' retirement system (PERS) and accounted for the plan as a separate Pension Trust Fund. The Plan was a noncontributory defined benefit plan that covered all full-time employees with the exception of fire, police, municipal court, and certain administrative employees who were eligible for the Fire Relief and Pension Plan, the Police Relief and Pension Plan, Arkansas Local Police and Fire Retirement System (LOPFI), Municipal Court Retirement System, and the Deferred Compensation Plan, respectively. The City contributed 10% of covered payroll of the PERS. On April 1, 1997, the PERS was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code. The ICMARC serves as administrator of the 401(a) plan. The City makes annual contributions equal to 10% of each covered employee earnings. The Plan covers all full-time, nonuniformed employees with the exception of the municipal judges and the municipal court clerk.

The present value of each PERS active member at March 31, 1997, was transferred to ICMARC in the participant's name. An annuity contract was purchased from an insurance company to continue to provide benefit payments to beneficiaries of PERS. The annuity contract provides that all beneficiaries will receive a 3% cost of living adjustment every three years beginning January 1, 1998. The remaining balance of approximately \$1.7 million was transferred to the Employee Insurance Fund to provide for future employee benefits. The present value of the deferred vested members of PERS may be withdrawn or rolled into a qualified plan at the member's choice.

The City continues to administer the Municipal Court Retirement System (the "Court System"). The operating revenues and operating expenses remained stable between 1998 and 1999. The municipal judges and the municipal court clerk are covered by this plan. There is currently one beneficiary of the Court System.

In September 1990, the City entered into an agreement with the Arkansas Local Police and Fire Retirement System (LOPFI) whereby administration of the Fire and Police pension plans was assumed by LOPFI. This action will provide the City's police and fire civil service personnel with an actuarially funded pension plan and allow the City to provide the pension benefits due police officers and firefighters. Effective July 1, 1996, the Board of Directors approved increases in benefit payments for retirees and beneficiaries. The minimum monthly benefit payment was increased from \$350 to \$500 and a 3% cost of living adjustment will be granted every other year beginning July 1, 1996, and each two years thereafter. The City's contribution rates increased in 1999 compared with 1998 from 22.80% to 23.36% for police participants and increased from 30.40% to 31.65% for fire participants.

Debt Administration

At December 31, 1999, the City had revenue bonds outstanding of approximately \$58.6 million. Four issues comprise this total.

Water and Sewer

In July 1994, the City issued \$27,215,000 Water and Sewer Refunding and Construction Revenue Bonds which refunded the 1977 and 1987 Water and Sewer Revenue Bonds and included \$6.6 million in new debt. The additional bond proceeds were used to construct improvements to the water and sewer system. The projected maturity date is October 1, 2012. At December 31, 1999, \$22.035 million of bonds were outstanding. The 1994 Revenue Bonds are collateralized by the revenue of the water and sewer system and various special funds established by the authorizing bond ordinance. The 1994 Revenue Bonds are rated Aaa by Moody's Investor Service and AAA by Standard & Poor's Corporation. The issue is insured by the Municipal Bond Investor's Assurance Corporation.

In September 1999, the City issued \$26,415,000 Water and Sewer System Revenue Bonds. The Bonds were issued to provide the first phase of funding for the expansion and improvements to the Lake Fort Smith water supply project as well as provide improvements to the Lee Creek water impoundment and improvements to the existing water transmission, storage, and distribution system. The projected maturity date is October 1, 2019. At December 31, 1999, \$26.415 million of bonds were outstanding. The 1999 Revenue Bonds are collateralized by the revenue of the water and sewer system and various special funds established by the authorizing bond ordinance. The 1999 Revenue Bonds are rated AAA by Standard & Poor's Corporation. The issue is insured by the Ambac Assurance Corporation. The 1999 Bonds have an underlying rating of A by Standard & Poor's Corporation.

Sanitation

In December 1994, the City issued \$3,560,000 Solid Waste Revenue Bonds for the purpose of constructing a portion of the second phase of the City's landfill in accordance with the EPA's Subtitle "D" Regulations. The projected maturity date of the bonds is December 1, 2009. On April 21, 1998, the City issued \$3,055,000 Solid Waste Refunding Revenue Bonds, Series 1998 dated May 1, 1998. The Bonds were issued to finance the cost of advance refunding the City's outstanding Solid Waste Revenue Bonds, Series 1994. The Series 1994 Bonds are expected to be redeemed December 1, 2001, at 101%. The Series 1998 Bonds are due in annual installments at varying amounts through December 1, 2009. At December 31, 1999, \$2.755 million of Series 1998 Bonds were outstanding.

In June 1995, the City issued \$9,185,000 Solid Waste Refunding and Construction Bonds for the purpose of redeeming the 1993 Temporary Solid Waste Revenue Bonds and for funding a portion of the construction costs of the second phase of the City's landfill in accordance with EPA's Subtitle "D" Regulations. The projected maturity date of the bonds is December 1, 2011. At December 31, 1999, \$7.395 million of bonds were outstanding.

Governmental

On November 21, 1997, the City issued \$45,655,000 Arkansas Sales and Use Tax Bonds, Series 1997, dated December 1, 1997. The Bonds were issued to finance the costs of acquiring and constructing civic center, library and park improvements. The principal amount of the Bonds is allocated among the three projects at \$20,405,000 for civic center improvements, \$19,840,000 for library improvements, and \$5,410,000 for park improvements. The Bonds are not general obligations of the City, but are special obligations payable solely from collections of a one-half percent (1/2%) sales and use tax levied by the City. The issuance of the Bonds and the pledging of the tax to the payment of principal of and interest on the Bonds was approved at a special election held October 28, 1997.

Revenue generated by the 1/2% sales tax, which became effective January 1, 1998, totaled \$7.3 million in 1999. At December 31, 1999, \$38.035 million of bonds were outstanding.

Cash Management

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U.S. Treasury in accordance with policies established by the Board of Directors.

The objective of the City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. At year-end, the City's total bank balance, excluding pension funds, was \$91,480,314 of pooled and nonpooled deposits and this balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Risk Management

The City manages self-insurance programs for providing workers' compensation and health and other medical benefits to employees, retirees, and their dependents and beneficiaries. Retained earnings (deficit) in the Employee Insurance Fund increased from \$(609,315) in 1998 to \$(1,443,298) in 1999 primarily as a result of an increase in claims between years.

The City's Workers' Compensation Fund had a retained earnings balance of \$1,323,155 at December 31, 1999, as compared to a balance of \$1,370,951 at December 31, 1998. The decrease is a result of a decrease in employer contributions to the fund combined with an increase in claims due over the past year.

OTHER INFORMATION

Independent Audit

State statute requires an annual audit by independent certified public accountants. The accounting firm of Arthur Andersen LLP was selected by the City's Board of Directors. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and related OMB Circular A-133. The Report of Independent Public Accountants on the general purpose financial statements and the combining financial statements, and individual fund statements and schedules is included in the Financial Section of this report. The auditors' reports related specifically to the single audit are included in the Single Audit Section. The Report of Independent Public Accountants on the City's internal control system, including the practices and procedures required by Arkansas State statutes, is included in the Other Section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Smith for its comprehensive annual financial report for the fiscal year ended December 31, 1998. The Certificate of Achievement is the highest form of recognition for excellence in local government financial reporting. This was the fourteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 1999. This was the eleventh consecutive year that the City has received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, finance, planning, and organization.


Acknowledgments

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

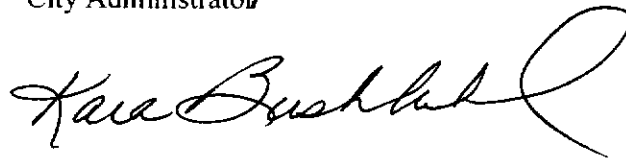
We also acknowledge the thorough, professional, and timely manner in which the annual audit was conducted by Arthur Andersen LLP.

In closing, we acknowledge the contributions of the Mayor and the Board of Directors who have consistently supported the City's goal of excellence in all aspects of financial management. Their encouragement and support is greatly appreciated.

Respectfully submitted,



Bill Harding,
City Administrator



Kara Bushkuhl,
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

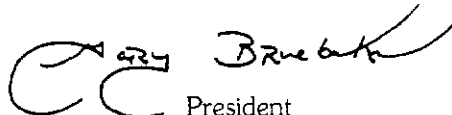
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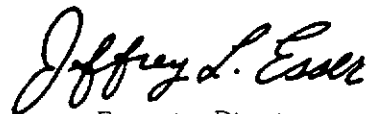
City of Fort Smith,
Arkansas

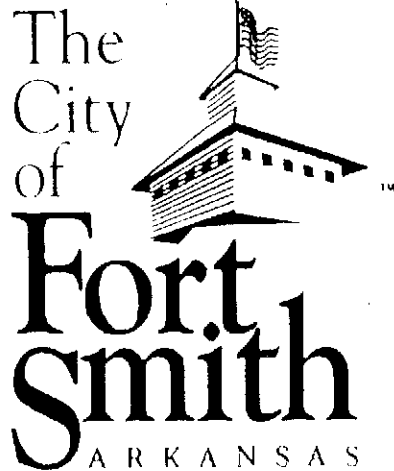
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

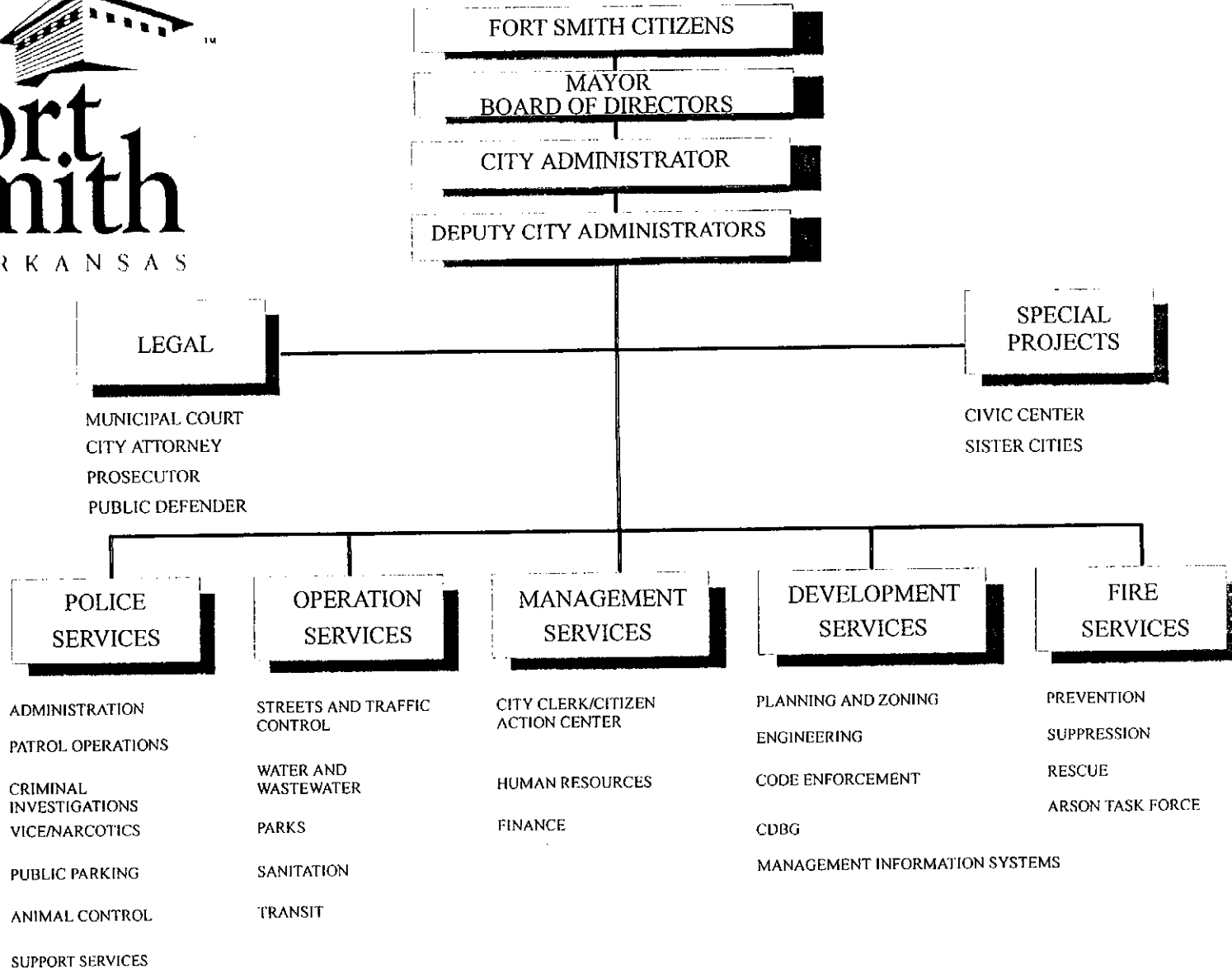



Cary Brueckner
President


Jeffrey L. Essler
Executive Director



Plan of Organization





ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Honorable Mayor,
City Board of Directors and City Administrator,
City of Fort Smith, Arkansas:

We have audited the accompanying general purpose financial statements of the City of Fort Smith, Arkansas (the "City"), as of and for the year ended December 31, 1999. These general purpose financial statements and the statements and other information referred to below are the responsibility of the City's administration. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Airport Commission, a discretely presented proprietary component unit of the City which represents approximately 92% of the total assets and approximately 87% of the total operating revenues of the discretely presented proprietary fund column or the Public Library, a discretely presented governmental component unit of the City which represents approximately 95% of the total assets and approximately 85% of the total revenues of the discretely presented governmental fund column. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport Commission and the Public Library, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards for financial audits contained in Government Auditing Standards (1994 Revision, as amended), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements, which are also the responsibility of the City's management, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. This information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The Introductory and Statistical Sections were not audited by us and, accordingly, we express no opinion on them.

The Required Supplemental Information on page 79 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on such information.

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2000, on our consideration on the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Arthur Andersen LLP

Dallas, Texas,
April 20, 2000

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CITY OF FORT SMITH, ARKANSAS

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND
 DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 1999 (NOTE 1), WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
 (Continued on following page)

ASSETS AND OTHER DEBITS	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
CASH	\$ 2,745	\$ 155,022	\$ -	\$ -	\$ 29,836	\$ 165,815
INVESTMENTS	1,321,897	32,915,777	4,646,249	37,821,135	4,678,429	2,774,399
RECEIVABLES, net of allowance for uncollectibles:						
Taxes	5,078,571	2,890,501	-	-	-	-
Sales taxes	591,941	1,221,671	610,835	-	394,627	-
Accounts	324,232	4,799	-	23,104	2,407,443	34,063
Accrued interest	8,187	152,114	-	142,771	20,953	12,574
DUE FROM OTHER FUNDS	187,348	4,581	-	-	-	443
DUE FROM COMPONENT UNIT	-	-	-	-	-	-
DUE FROM OTHER GOVERNMENTS	285,229	243,040	-	-	-	-
INTERFUND RECEIVABLES	-	-	-	-	-	-
INVENTORY, at cost	-	-	-	-	451,848	30,426
PREPAID ITEMS	50,250	-	-	-	-	14
DEPOSITS	5,394	107,779	-	328,974	-	-
ADVANCES TO OTHER FUNDS	-	-	-	-	-	-
RESTRICTED ASSETS:						
Cash	-	-	-	-	51,134	-
Investments	-	-	-	-	42,280,314	-
Accounts receivable, net of allowance for uncollectibles	-	-	-	-	7,792	-
Accrued interest	-	-	-	-	219,472	-
Prepaid items and deposits	-	-	-	-	977	-
Due from other funds	-	-	-	-	973,441	-
FIXED ASSETS, net, where applicable, of accumulated depreciation	-	-	-	-	133,635,738	-
AMOUNT AVAILABLE IN DEBT SERVICE FUND	-	-	-	-	-	-
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM LIABILITIES	-	-	-	-	-	-
DEFERRED CHARGES	-	-	-	-	529,031	-
Total Assets and Other Debits	<u>\$7,855,794</u>	<u>\$37,695,284</u>	<u>\$5,257,084</u>	<u>\$38,315,984</u>	<u>\$185,681,035</u>	<u>\$3,017,734</u>

The accompanying notes to financial statements are an integral part of this balance sheet.

COMBINED BALANCE SHEET -
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
(Continued)

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		Component Units		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	Primary Government		Proprietary	Governmental	Reporting Entity	
			1999	1998			1999	1998
Trust and Agency								
\$ 31	\$ -	\$ -	\$ 353,449	\$ 176,083	\$ 562,565	\$ 768,899	\$ 1,684,913	\$ 999,680
793,013	-	-	84,950,899	83,498,840	2,150,000	262,199	87,363,098	86,309,610
-	-	-	7,969,072	7,271,165	-	15,367	7,984,439	7,291,460
-	-	-	2,819,074	2,541,759	-	117,010	2,936,084	2,593,966
7	-	-	2,793,648	2,188,178	54,008	70,096	2,917,752	2,294,416
3,450	-	-	340,049	551,812	14,903	620	355,572	559,286
-	-	-	192,372	1,370,205	-	-	192,372	1,370,205
-	-	-	-	589,504	-	-	-	589,504
-	-	-	528,269	424,341	-	-	528,269	424,341
-	-	-	-	666,666	-	-	-	666,666
-	-	-	482,274	644,492	3,296	5,000	490,570	651,186
-	-	-	50,264	134,447	119,981	32,847	203,092	195,124
-	-	-	442,147	564,379	-	-	442,147	564,379
-	-	-	-	2,000,002	-	-	-	2,000,002
-	-	-	51,134	17,380	250,304	-	301,438	82,804
-	-	-	42,280,314	16,694,575	5,595,527	-	47,875,841	18,106,826
-	-	-	7,792	16,413	415,582	-	423,374	265,337
-	-	-	219,472	66,977	43,502	-	262,974	72,434
-	-	-	977	3,923	-	-	977	3,923
-	-	-	973,441	899,962	-	-	973,441	899,962
-	57,929,455	-	191,565,193	172,259,514	27,212,882	847,073	219,625,148	198,439,501
-	-	5,113,136	5,113,136	4,956,050	-	-	5,113,136	4,956,050
-	-	35,520,186	35,520,186	40,937,519	-	-	35,520,186	40,937,519
-	-	-	529,031	318,907	398,071	-	927,102	638,541
<u>\$796,501</u>	<u>\$57,929,455</u>	<u>\$40,633,322</u>	<u>\$377,182,193</u>	<u>\$338,793,093</u>	<u>\$36,820,621</u>	<u>\$2,119,111</u>	<u>\$416,121,925</u>	<u>\$370,912,722</u>

CITY OF FORT SMITH, ARKANSAS

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 1999 (NOTE 1), WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
(Continued on following page)

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
LIABILITIES:						
Accounts payable and accrued liabilities	\$1,212,693	\$ 1,195,103	\$ -	\$ 2,510,035	\$ 1,024,030	\$ 134,956
Retainage payable	21,838	206,090	-	698,791	-	-
Liability for accrued vacation and sick leave	-	-	-	-	763,262	-
Liability for landfill closure and postclosure care	-	-	-	-	1,694,287	-
Other long-term obligations	-	-	-	613,458	-	-
Payable from restricted assets-						
Accrued interest	-	-	143,948	-	690,285	-
Revenue bonds payable, current	-	-	-	-	2,690,000	-
Accounts payable and accrued liabilities	-	-	-	-	1,012,553	-
Due to other funds	-	-	-	-	-	-
Deposits	-	-	-	-	817,385	-
Retainage payable	-	-	-	-	257,987	-
Due to other funds	2,081	179,438	-	10,853	973,441	-
Due to primary government	-	-	-	-	-	-
Due to other governments	9	-	-	-	-	-
Interfund payables	-	-	-	-	-	-
Liability for insured events	-	-	-	-	-	1,288,818
Advances from other funds	-	-	-	-	-	-
Deferred revenues	3,866,172	3,262,901	-	-	-	-
Revenue bonds payable, net	-	-	-	-	54,392,038	-
Sales and use tax bonds payable	-	-	-	-	-	-
Other	89,723	5,323	-	-	23,020	-
Total Liabilities	<u>5,192,516</u>	<u>4,848,855</u>	<u>143,948</u>	<u>3,833,137</u>	<u>64,338,288</u>	<u>1,423,774</u>
EQUITY AND OTHER CREDITS:						
Contributed capital-						
From other municipalities or governmental units	-	-	-	-	12,274,022	1,697,495
In aid of construction	-	-	-	-	32,703,047	-
Investment in general fixed assets	-	-	-	-	-	-
Retained earnings-						
Reserved for bond retirement	-	-	-	-	5,425,367	-
Reserved for landfill closure and postclosure care	-	-	-	-	2,687,236	-
Reserved for asset replacement	-	-	-	-	583,164	-
Reserved for construction	-	-	-	-	253,605	-
Reserved for health insurance and workers' compensation	-	-	-	-	-	(120,143)
Unreserved	-	-	-	-	67,416,306	16,608
Fund balances-						
Reserved for encumbrances	1,491,580	162,749	-	-	-	-
Reserved for prepaid items	50,250	-	-	-	-	-
Reserved for subsequent years' expenditures	-	19,633,636	-	-	-	-
Reserved for pension trust funds	-	-	-	-	-	-
Reserved for bond retirement	-	-	5,113,136	-	-	-
Unreserved-						
Designated for subsequent years' expenditures	325,728	13,050,044	-	34,482,847	-	-
Undesignated	795,720	-	-	-	-	-
Total Equity and Other Credits	<u>2,663,278</u>	<u>32,846,429</u>	<u>5,113,136</u>	<u>34,482,847</u>	<u>121,342,747</u>	<u>1,593,960</u>
Total Liabilities, Equity and Other Credits	<u>\$7,855,794</u>	<u>\$37,695,284</u>	<u>\$5,257,084</u>	<u>\$38,315,984</u>	<u>\$185,681,035</u>	<u>\$3,017,734</u>

The accompanying notes to financial statements are an integral part of this balance sheet.

COMBINED BALANCE SHEET -
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
(Continued)

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		Component Units		Totals (Memorandum Only)	
	General	General	Primary Government		Proprietary	Governmental	Reporting Entity	
	Fixed	Long-Term	1999	1998			1999	1998
Trust and Agency	Assets	Debt						
\$ 31	\$ -	\$ -	\$ 6,076,848	\$ 3,287,449	\$ 704,548	\$ 31,507	\$ 6,812,903	\$ 3,909,757
-	-	-	926,719	255,299	-	-	926,719	255,299
-	-	2,419,322	3,182,584	2,917,290	11,783	-	3,194,367	2,931,721
-	-	-	1,694,287	1,328,533	-	-	1,694,287	1,328,533
-	-	179,000	792,458	179,000	-	-	792,458	179,000
-	-	-	834,233	536,738	87,431	-	921,664	551,317
-	-	-	2,690,000	1,780,000	65,000	-	2,755,000	1,860,000
-	-	-	1,012,553	1,038,515	-	-	1,012,553	1,038,515
-	-	-	-	43,813	-	-	-	43,813
-	-	-	817,385	784,640	-	-	817,385	784,640
-	-	-	257,987	104,742	-	-	257,987	104,742
-	-	-	1,165,813	2,226,354	-	-	1,165,813	2,226,354
-	-	-	-	-	-	-	-	589,504
-	-	-	9	1,285	-	-	9	1,285
-	-	-	-	666,666	-	-	-	666,666
-	-	-	1,288,818	1,167,668	-	-	1,288,818	1,167,668
-	-	-	-	2,000,002	-	-	-	2,000,002
-	-	-	7,129,073	7,295,369	-	-	7,129,073	7,295,369
-	-	-	54,392,038	30,981,384	7,145,591	-	61,537,629	33,122,342
-	-	38,035,000	38,035,000	43,555,000	-	-	38,035,000	43,555,000
-	-	-	118,066	97,957	532,565	-	650,631	750,808
31	-	40,633,322	120,413,871	100,247,704	8,546,918	31,507	128,992,296	104,362,335
-	-	-	13,971,517	13,971,517	21,252,562	-	35,224,079	33,443,528
-	-	-	32,703,047	31,821,293	-	-	32,703,047	31,821,293
-	57,929,455	-	57,929,455	40,560,596	-	847,073	58,776,528	41,474,319
-	-	-	5,425,367	3,245,904	486,406	-	5,911,773	3,325,380
-	-	-	2,687,236	2,444,400	-	-	2,687,236	2,444,400
-	-	-	583,164	568,257	-	-	583,164	568,257
-	-	-	253,605	138,955	-	-	253,605	138,955
-	-	-	(120,143)	761,636	-	-	(120,143)	761,636
-	-	-	67,432,914	69,679,766	6,534,735	-	73,967,649	76,048,019
-	-	-	1,654,329	414,175	-	-	1,654,329	416,209
-	-	-	50,250	12,729	-	32,847	83,097	41,376
-	-	-	19,633,636	16,478,812	-	25,000	19,658,636	16,513,770
796,470	-	-	796,470	751,940	-	-	796,470	751,940
-	-	-	5,113,136	4,956,050	-	-	5,113,136	4,956,050
-	-	-	47,858,619	54,020,985	-	1,182,684	49,041,303	55,126,881
-	-	-	795,720	(1,281,626)	-	-	795,720	(1,281,626)
796,470	57,929,455	-	256,768,322	238,545,389	28,273,703	2,087,604	287,129,629	266,550,387
<u>\$796,501</u>	<u>\$57,929,455</u>	<u>\$40,633,322</u>	<u>\$377,182,193</u>	<u>\$338,793,093</u>	<u>\$36,820,621</u>	<u>\$2,119,111</u>	<u>\$416,121,925</u>	<u>\$370,912,722</u>

CITY OF FORT SMITH, ARKANSAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 (NOTE 1),
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
(Continued on following page)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES:				
Taxes	\$ 3,674,503	\$ 2,568,469	\$ -	\$ -
Sales taxes	7,087,312	14,689,273	7,344,637	-
Licenses and permits	1,001,801	-	-	186,850
Utility franchise fees	4,224,932	-	-	-
Intergovernmental	2,349,517	8,627,709	-	4,749,998
Fines and forfeitures	1,571,633	122,734	-	-
Fees for services	329,352	-	-	-
Interest	32,565	1,493,010	304,667	1,542,526
Increase (decrease) in fair value of investments	-	-	-	(392,617)
Contributions	-	738,432	-	276,420
Miscellaneous	<u>148,245</u>	<u>36,038</u>	<u>-</u>	<u>11,681</u>
Total Revenues	<u>20,419,860</u>	<u>28,275,665</u>	<u>7,649,304</u>	<u>6,374,858</u>
EXPENDITURES:				
Current-				
General government	2,959,152	583,615	-	-
Public safety	13,675,363	3,218,613	-	-
Public works	-	15,180,628	-	166,052
Community services	2,014,314	90,822	-	-
Other	1,702,449	39,884	6,913	-
Capital outlay	1,357,964	588,842	-	15,625,721
Debt service-				
Principal	-	-	5,520,000	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>1,965,305</u>	<u>-</u>
Total Expenditures	<u>21,709,242</u>	<u>19,702,404</u>	<u>7,492,218</u>	<u>15,791,773</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,289,382)</u>	<u>8,573,261</u>	<u>157,086</u>	<u>(9,416,915)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	3,797,188	-	-	356,223
Operating transfer from component units	8,847	-	-	-
Operating transfers out	(85,000)	(1,486,743)	-	-
Operating transfers to component units	(110,000)	-	-	-
Operating transfers to primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>3,611,035</u>	<u>(1,486,743)</u>	<u>-</u>	<u>356,223</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES, AND OTHER FINANCING USES	2,321,653	7,086,518	157,086	(9,060,692)
RESIDUAL EQUITY TRANSFER IN (OUT)	347,396	(347,396)	-	-
FUND BALANCES, beginning of year	<u>(5,771)</u>	<u>26,107,307</u>	<u>4,956,050</u>	<u>43,543,539</u>
FUND BALANCES, end of year	<u>\$2,663,278</u>	<u>\$32,846,429</u>	<u>\$5,113,136</u>	<u>\$34,482,847</u>

The accompanying notes to financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
(Continued)

Totals (Memorandum Only)		Component Units	Totals (Memorandum Only)	
Primary Government			Reporting Entity	
December 31, 1999	December 31, 1998		December 31, 1999	December 31, 1998
		Governmental		
\$ 6,242,972	\$ 6,031,319	\$1,029,934	\$ 7,272,906	\$ 7,038,232
29,121,222	26,599,219	694,322	29,815,544	27,273,850
1,188,651	964,319	-	1,188,651	964,319
4,224,932	4,237,391	-	4,224,932	4,237,391
15,727,224	14,578,023	191,477	15,918,701	14,672,937
1,694,367	1,757,023	-	1,694,367	1,757,023
329,352	384,289	71,383	400,735	457,976
3,372,768	3,699,759	32,836	3,405,604	3,754,586
(392,617)	474,710	88	(392,529)	394,181
1,014,852	695,080	37,875	1,052,727	743,147
<u>195,964</u>	<u>944,074</u>	<u>1,399</u>	<u>197,363</u>	<u>948,069</u>
<u>62,719,687</u>	<u>60,365,206</u>	<u>2,059,314</u>	<u>64,779,001</u>	<u>62,241,711</u>
3,542,767	3,091,735	-	3,542,767	3,091,735
16,893,976	15,235,568	-	16,893,976	15,235,568
15,346,680	15,452,436	-	15,346,680	15,452,436
2,105,136	1,981,055	1,733,690	3,838,826	3,544,419
1,749,246	1,242,962	314,431	2,063,677	1,951,359
17,572,527	11,577,002	-	17,572,527	11,577,002
5,520,000	2,100,000	-	5,520,000	2,100,000
<u>1,965,305</u>	<u>2,140,216</u>	<u>-</u>	<u>1,965,305</u>	<u>2,140,216</u>
<u>64,695,637</u>	<u>52,820,974</u>	<u>2,048,121</u>	<u>66,743,758</u>	<u>55,092,735</u>
<u>(1,975,950)</u>	<u>7,544,232</u>	<u>11,193</u>	<u>(1,964,757)</u>	<u>7,148,976</u>
4,153,411	2,071,394	-	4,153,411	2,071,394
8,847	8,911	-	8,847	8,911
(1,571,743)	(1,566,890)	-	(1,571,743)	(1,566,890)
(110,000)	(175,000)	-	(110,000)	(175,000)
<u>-</u>	<u>-</u>	<u>(8,847)</u>	<u>(8,847)</u>	<u>(8,911)</u>
<u>2,480,515</u>	<u>338,415</u>	<u>(8,847)</u>	<u>2,471,668</u>	<u>329,504</u>
504,565	7,882,647	2,346	506,911	7,478,480
-	-	-	-	-
<u>74,601,125</u>	<u>66,718,478</u>	<u>2,085,258</u>	<u>76,686,383</u>	<u>69,207,903</u>
<u>\$75,105,690</u>	<u>\$74,601,125</u>	<u>\$2,087,604</u>	<u>\$77,193,294</u>	<u>\$76,686,383</u>

CITY OF FORT SMITH, ARKANSAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 (NOTE 1)

(Continued on following page)

	General Fund				Variance- Favorable (Unfavorable)
	Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis	Budget	
REVENUES:					
Taxes	\$ 3,674,503	\$ -	\$ 3,674,503	\$ 3,693,240	\$ (18,737)
Sales taxes	7,087,312	-	7,087,312	6,938,167	149,145
Licenses and permits	1,001,801	-	1,001,801	714,000	287,801
Utility franchise fees	4,224,932	-	4,224,932	4,407,000	(182,068)
Intergovernmental	2,349,517	-	2,349,517	2,492,444	(142,927)
Fines and forfeitures	1,571,633	-	1,571,633	1,730,500	(158,867)
Fees for services	329,352	-	329,352	299,549	29,803
Interest	32,565	-	32,565	105,000	(72,435)
Miscellaneous	148,245	-	148,245	100,163	48,082
Total Revenues	20,419,860	-	20,419,860	20,480,063	(60,203)
EXPENDITURES:					
Current-					
General government-					
Administration	1,613,177	1,497	1,614,674	1,683,335	68,661
Legal	1,013,386	785	1,014,171	1,021,349	7,178
Finance	332,589	(195)	332,394	351,913	19,519
Public safety-					
Police	8,310,579	15,398	8,325,977	8,777,754	451,777
Fire	5,364,784	48,476	5,413,260	5,418,807	5,547
Public works-					
Operations	-	-	-	-	-
Street	-	-	-	-	-
Traffic control	-	-	-	-	-
Community services-					
Health	54,933	1,685	56,618	72,840	16,222
Parks and recreation	1,959,381	(4,280)	1,955,101	2,266,432	311,331
Other	1,702,449	823,628	2,526,077	2,191,879	(334,198)
Capital outlay	1,357,964	604,586	1,962,550	2,110,613	148,063
Total Expenditures	21,709,242	1,491,580	23,200,822	23,894,922	694,100
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,289,382)	(1,491,580)	(2,780,962)	(3,414,859)	633,897
OTHER FINANCING SOURCES (USES):					
Operating transfers in	3,797,188	-	3,797,188	3,797,188	-
Operating transfers in - component units	8,847	-	8,847	7,150	1,697
Operating transfers out	(85,000)	-	(85,000)	(85,000)	-
Operating transfers out - component units	(110,000)	-	(110,000)	(110,000)	-
Total Other Financing Sources (Uses)	3,611,035	-	3,611,035	3,609,338	1,697
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES, AND OTHER FINANCING USES	2,321,653	(1,491,580)	830,073	194,479	635,594
RESIDUAL EQUITY TRANSFER IN	347,396	-	347,396	336,379	11,017
FUND BALANCES, beginning of year	(5,771)	-	(5,771)	(5,771)	-
FUND BALANCES, end of year	\$ 2,663,278	\$ (1,491,580)	\$ 1,171,698	\$ 525,087	\$ 646,611

The accompanying notes to financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
(Continued)

Special Revenue				
(Street Maintenance Fund Only)				
Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
\$1,100,828	\$ -	\$1,100,828	\$1,107,860	\$ (7,032)
-	-	-	-	-
-	-	-	-	-
3,258,106	-	3,258,106	3,130,314	127,792
-	-	-	-	-
236,547	-	236,547	230,000	6,547
<u>25,902</u>	<u>-</u>	<u>25,902</u>	<u>15,000</u>	<u>10,902</u>
<u>4,621,383</u>	<u>-</u>	<u>4,621,383</u>	<u>4,483,174</u>	<u>138,209</u>
231,567	549	232,116	238,267	6,151
48,899	-	48,899	29,710	(19,189)
303,149	21,552	324,701	338,859	14,158
33,197	1,362	34,559	35,367	808
-	-	-	-	-
254,750	-	254,750	274,904	20,154
1,866,212	1,710	1,867,922	2,258,120	390,198
1,208,517	2,431	1,210,948	1,401,036	190,088
-	-	-	-	-
73,839	24,999	98,838	100,895	2,057
2,998	-	2,998	212,500	209,502
<u>327,098</u>	<u>110,146</u>	<u>437,244</u>	<u>593,486</u>	<u>156,242</u>
<u>4,350,226</u>	<u>162,749</u>	<u>4,512,975</u>	<u>5,483,144</u>	<u>970,169</u>
<u>271,157</u>	<u>(162,749)</u>	<u>108,408</u>	<u>(999,970)</u>	<u>1,108,378</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
271,157	(162,749)	108,408	(999,970)	1,108,378
-	-	-	-	-
<u>4,580,242</u>	<u>-</u>	<u>4,580,242</u>	<u>4,580,242</u>	<u>-</u>
<u>\$4,851,399</u>	<u>\$ (162,749)</u>	<u>\$4,688,650</u>	<u>\$3,580,272</u>	<u>\$1,108,378</u>

CITY OF FORT SMITH, ARKANSAS

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
ALL PROPRIETARY FUND TYPES, AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 (NOTE 1).
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

(Continued on following page)

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
OPERATING REVENUES:		
Water service	\$ 9,240,470	\$ -
Sewer service	6,870,186	-
Charges for services	8,399,008	250,111
Contributions	-	3,378,364
Other	<u>33,698</u>	<u>-</u>
Total Operating Revenues	<u>24,543,362</u>	<u>3,628,475</u>
OPERATING EXPENSES:		
Personnel services	10,940,691	-
Contractual services	2,285,018	323,116
Materials and supplies	4,327,925	271,031
Heat, light, and power	887,061	-
Depreciation	7,308,494	-
Premium payments	-	180,565
Claims for insured events	-	3,925,079
Miscellaneous	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>25,749,189</u>	<u>4,699,791</u>
OPERATING LOSS	<u>(1,205,827)</u>	<u>(1,071,316)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	1,343,448	168,617
Increase (decrease) in fair value of investments	(31,004)	-
Interest expense and fiscal charges	(2,166,075)	-
Other nonoperating revenues, net	<u>4,967,050</u>	<u>-</u>
Total Nonoperating Revenues, Net	<u>4,113,419</u>	<u>168,617</u>
Income (Loss) Before Operating Transfers	2,907,592	(902,699)
OPERATING TRANSFERS IN	8,611,742	-
OPERATING TRANSFER FROM PRIMARY GOVERNMENT	-	-
OPERATING TRANSFERS OUT	<u>(11,193,410)</u>	<u>-</u>
Net Income (Loss)	325,924	(902,699)
ADD BACK DEPRECIATION ON CONTRIBUTED ASSETS	-	-
RETAINED EARNINGS, beginning of year	<u>76,039,754</u>	<u>799,164</u>
RETAINED EARNINGS, end of year	<u>\$76,365,678</u>	<u>\$ (103,535)</u>

The accompanying notes to financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
ALL PROPRIETARY FUND TYPES, AND DISCRETELY PRESENTED COMPONENT UNITS
(Continued)

Totals (Memorandum Only)		Component Units	Totals (Memorandum Only)	
Primary Government			Reporting Entity	
December 31, 1999	December 31, 1998		December 31, 1999	December 31, 1998
		Proprietary		
\$ 9,240,470	\$ 7,409,167	\$ -	\$ 9,240,470	\$ 7,409,167
6,870,186	6,019,492	-	6,870,186	6,019,492
8,649,119	7,841,113	1,490,708	10,139,827	9,268,678
3,378,364	3,186,878	-	3,378,364	3,186,878
33,698	34,812	345,470	379,168	316,370
<u>28,171,837</u>	<u>24,491,462</u>	<u>1,836,178</u>	<u>30,008,015</u>	<u>26,200,585</u>
10,940,691	10,302,252	690,170	11,630,861	10,990,500
2,608,134	3,049,170	333,464	2,941,598	3,409,396
4,598,956	3,694,400	127,295	4,726,251	3,832,344
887,061	818,630	85,451	972,512	912,341
7,308,494	5,319,422	1,635,802	8,944,296	6,831,778
180,565	139,061	-	180,565	139,061
3,925,079	3,913,594	-	3,925,079	3,913,594
-	-	45,737	45,737	49,089
<u>30,448,980</u>	<u>27,236,529</u>	<u>2,917,919</u>	<u>33,366,899</u>	<u>30,078,103</u>
<u>(2,277,143)</u>	<u>(2,745,067)</u>	<u>(1,081,741)</u>	<u>(3,358,884)</u>	<u>(3,877,518)</u>
1,512,065	1,285,860	213,210	1,725,275	1,449,342
(31,004)	5,018	-	(31,004)	5,018
(2,166,075)	(1,942,628)	(120,698)	(2,286,773)	(2,099,610)
<u>4,967,050</u>	<u>4,857,029</u>	<u>175,222</u>	<u>5,142,272</u>	<u>5,136,883</u>
<u>4,282,036</u>	<u>4,205,279</u>	<u>267,734</u>	<u>4,549,770</u>	<u>4,491,633</u>
2,004,893	1,460,212	(814,007)	1,190,886	614,115
8,611,742	9,448,477	-	8,611,742	9,448,477
-	-	110,000	110,000	175,000
<u>(11,193,410)</u>	<u>(9,363,477)</u>	<u>-</u>	<u>(11,193,410)</u>	<u>(9,952,981)</u>
(576,775)	1,545,212	(704,007)	(1,280,782)	284,611
-	-	1,277,419	1,277,419	1,152,171
<u>76,838,918</u>	<u>75,293,706</u>	<u>6,447,729</u>	<u>83,286,647</u>	<u>81,849,865</u>
<u>\$76,262,143</u>	<u>\$76,838,918</u>	<u>\$7,021,141</u>	<u>\$83,283,284</u>	<u>\$83,286,647</u>

CITY OF FORT SMITH, ARKANSAS

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER AND SEWER OPERATING AND SANITATION OPERATING FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 (NOTE 1)

	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on a Budgetary Basis</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
OPERATING REVENUES:					
Water service	\$ 9,240,470	\$ -	\$ 9,240,470	\$ 9,040,250	\$ 200,220
Sewer service	6,870,186	-	6,870,186	6,402,930	467,256
Charges for services	8,399,008	-	8,399,008	7,235,695	1,163,313
Other	<u>33,698</u>	<u>-</u>	<u>33,698</u>	<u>35,000</u>	<u>(1,302)</u>
Total Operating Revenues	<u>24,543,362</u>	<u>-</u>	<u>24,543,362</u>	<u>22,713,875</u>	<u>1,829,487</u>
OPERATING EXPENSES:					
Personnel services	10,908,724	6,398	10,915,122	11,391,711	476,589
Contractual services	2,216,854	182,652	2,399,506	2,556,439	156,933
Materials and supplies	3,956,802	152,452	4,109,254	4,180,512	71,258
Heat, light, and power	887,061	-	887,061	922,656	35,595
Depreciation	<u>7,308,494</u>	<u>(7,308,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>25,277,935</u>	<u>(6,966,992)</u>	<u>18,310,943</u>	<u>19,051,318</u>	<u>740,375</u>
OPERATING INCOME (LOSS)	<u>(734,573)</u>	<u>6,966,992</u>	<u>6,232,419</u>	<u>3,662,557</u>	<u>2,569,862</u>
NONOPERATING REVENUES:					
Interest revenue	267,427	-	267,427	290,000	(22,573)
Other nonoperating revenues, net	<u>4,962,037</u>	<u>-</u>	<u>4,962,037</u>	<u>4,709,933</u>	<u>252,104</u>
Total Nonoperating Revenues, Net	<u>5,229,464</u>	<u>-</u>	<u>5,229,464</u>	<u>4,999,933</u>	<u>229,531</u>
Income Before Operating Transfers	4,494,891	6,966,992	11,461,883	8,662,490	2,799,393
OPERATING TRANSFERS OUT	<u>(11,193,410)</u>	<u>-</u>	<u>(11,193,410)</u>	<u>(11,193,410)</u>	<u>-</u>
Net Income (Loss)	<u>(6,698,519)</u>	<u>6,966,992</u>	<u>268,473</u>	<u>(2,530,920)</u>	<u>2,799,393</u>
RETAINED EARNINGS, beginning of year	<u>15,969,563</u>	<u>-</u>	<u>15,969,563</u>	<u>15,969,563</u>	<u>-</u>
RETAINED EARNINGS, end of year	<u>\$ 9,271,044</u>	<u>\$ 6,966,992</u>	<u>\$16,238,036</u>	<u>\$13,438,643</u>	<u>\$2,799,393</u>

The accompanying notes to financial statements are an integral part of this statement.

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CITY OF FORT SMITH, ARKANSAS

COMBINED STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS, INTERNAL SERVICE FUNDS, AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 (NOTE 1),
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

(Continued on following page)

	Enterprise	Internal Service	Total (Memorandum Only)	
			Primary Government	
			December 31, 1999	December 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$20,906,950	\$ -	\$20,906,950	\$19,987,377
Cash received from service users	-	250,116	250,116	298,993
Cash received from city and employee contributions	-	3,347,424	3,347,424	4,883,223
Cash payments for goods and services	(6,701,949)	(591,292)	(7,293,241)	(6,549,457)
Cash payments to employees	(10,560,557)	-	(10,560,557)	(10,289,840)
Cash payments for premiums and other operating expenses	-	(50,783)	(50,783)	(139,061)
Cash payments for claims paid	-	(3,803,929)	(3,803,929)	(3,700,943)
Cash received from other operating revenues	<u>10,078,582</u>	<u>-</u>	<u>10,078,582</u>	<u>6,317,722</u>
Net Cash Provided by (Used for) Operating Activities	<u>13,723,026</u>	<u>(848,464)</u>	<u>12,874,562</u>	<u>10,808,014</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers-in from other funds	8,611,742	-	8,611,742	9,448,477
Operating transfers-out to other funds	<u>(11,193,410)</u>	<u>-</u>	<u>(11,193,410)</u>	<u>(9,363,477)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(2,581,668)</u>	<u>-</u>	<u>(2,581,668)</u>	<u>85,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds	25,720,326	-	25,720,326	-
Payment to escrow agent	-	-	-	-
Proceeds from grants	-	-	-	-
Proceeds from sale of fixed assets	124,796	-	124,796	58,646
Proceeds from insurance and FEMA settlement	1,985,229	-	1,985,229	634,735
Acquisition and construction of capital assets	(9,978,809)	-	(9,978,809)	(10,081,232)
Principal paid on revenue bonds	(1,780,000)	-	(1,780,000)	(1,575,000)
Interest and fiscal charges paid on revenue bonds	<u>(2,053,934)</u>	<u>-</u>	<u>(2,053,934)</u>	<u>(2,273,302)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>14,017,608</u>	<u>-</u>	<u>14,017,608</u>	<u>(13,236,153)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investment securities	37,964,079	1,243,417	39,207,496	14,892,710
Outlays for purchases of investment securities	(64,218,140)	(474,401)	(64,692,541)	(14,224,284)
Interest on investments	<u>1,157,010</u>	<u>170,619</u>	<u>1,327,629</u>	<u>1,307,521</u>
Net Cash Provided by (Used for) Investing Activities	<u>(25,097,051)</u>	<u>939,635</u>	<u>(24,157,416)</u>	<u>1,975,947</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	61,915	91,171	153,086	(367,192)
CASH AND RESTRICTED CASH, beginning of year	<u>19,055</u>	<u>74,644</u>	<u>93,699</u>	<u>460,891</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 80,970</u>	<u>\$ 165,815</u>	<u>\$ 246,785</u>	<u>\$ 93,699</u>

The accompanying notes to financial statements are an integral part of this statement.

COMBINED STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS, INTERNAL SERVICE FUNDS, AND DISCRETELY PRESENTED COMPONENT UNITS
(Continued)

Component Units	Totals (Memorandum Only)	
	Reporting Entity	
	December 31, 1999	December 31, 1998
<u>Proprietary</u>		
\$1,512,291	\$22,419,241	\$21,490,779
-	250,116	298,993
-	3,347,424	4,883,223
(511,090)	(7,804,331)	(6,945,921)
(692,707)	(11,253,264)	(10,961,374)
(45,737)	(3,667,304)	(188,110)
-	(233,145)	(3,700,943)
<u>345,470</u>	<u>10,424,052</u>	<u>6,599,280</u>
<u>608,227</u>	<u>13,482,789</u>	<u>11,475,927</u>
110,000	8,721,742	9,623,477
<u>(589,504)</u>	<u>(11,782,914)</u>	<u>(9,363,477)</u>
<u>(479,504)</u>	<u>(3,061,172)</u>	<u>260,000</u>
5,044,060	30,764,386	1,974,746
-	-	(848,778)
3,057,970	3,057,970	2,139,134
-	124,796	58,646
-	1,985,229	634,735
(3,649,796)	(13,628,605)	(13,005,862)
(168,580)	(1,948,580)	(1,830,000)
<u>(112,916)</u>	<u>(2,166,850)</u>	<u>(2,381,961)</u>
<u>4,170,738</u>	<u>18,188,346</u>	<u>(13,259,340)</u>
4,179,110	43,386,606	17,647,710
(7,982,386)	(72,674,927)	(18,266,535)
<u>166,936</u>	<u>1,494,565</u>	<u>1,466,154</u>
<u>(3,636,340)</u>	<u>(27,793,756)</u>	<u>847,329</u>
663,121	816,207	(676,084)
<u>149,748</u>	<u>243,447</u>	<u>919,531</u>
<u>\$ 812,869</u>	<u>\$ 1,059,654</u>	<u>\$ 243,447</u>

CITY OF FORT SMITH, ARKANSAS

COMBINED STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS, INTERNAL SERVICE FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 (NOTE 1),
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998,
INCREASE (DECREASE) IN CASH AND RESTRICTED CASH

(Continued)

	Enterprise	Internal Service	Total (Memorandum Only)	
			Primary Government December 31, 1999	December 31, 1998
RECONCILIATION OF OPERATING LOSS TO NET CASH				
CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating loss	\$ (1,205,827)	\$ (1,071,316)	\$ (2,277,143)	\$ (2,745,067)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities-				
Depreciation	7,308,494	-	7,308,494	5,319,422
Miscellaneous revenue	5,222,582	-	5,222,582	5,551,671
Changes in assets and liabilities-				
Accounts receivable	(675,644)	(30,940)	(706,584)	(68,396)
Sales tax receivable	(20,478)	-	(20,478)	3,258
Due from other funds	(73,479)	5	(73,474)	750,897
Inventory	158,794	3,424	162,218	(108,580)
Prepaid items	31,737	92,913	124,650	49,479
Advances to other funds	2,666,668	-	2,666,668	666,666
Accounts payable and accrued liabilities	191,885	36,300	228,185	(28,027)
Deposits	32,745	-	32,745	28,339
Liability for accrued vacation and sick leave	5,541	-	5,541	(12,115)
Due to other funds	73,479	-	73,479	899,962
Liability for insured events	-	121,150	121,150	499,738
Other liabilities	6,529	-	6,529	767
Total Adjustments	14,928,853	222,852	15,151,705	13,553,081
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$13,723,026	\$ (848,464)	\$12,874,562	\$10,808,014

NONCASH INVESTING, CAPITAL, AND FINANCING
ACTIVITIES:

Enterprise Funds-

Water and Sewer Fund received contributions of capital assets of \$881,754 and \$854,295 for 1999 and 1998, respectively, and recognized a \$12,913 decrease in fair value of investments in 1999.

Sanitation Fund recognized an \$18,091 decrease in fair value of investments in 1999 and a \$5,018 increase in fair value of investments in 1998 and recognized \$20,000 trade in value in the acquisition of landfill equipment during 1998. The 1998 advance refunding of solid waste revenue bonds results in a cash flow difference of \$36,713 for 1999 and \$227,560 for 1998.

COMBINED STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS, INTERNAL SERVICE FUNDS, AND DISCRETELY PRESENTED COMPONENT UNITS
(Continued)

Component Units	Totals (Memorandum Only)	
	Reporting Entity	
	December 31, 1999	December 31, 1998
Proprietary		
\$ (1,081,741)	\$ (3,358,884)	\$ (3,877,518)
1,635,802	8,944,296	6,831,778
233,279	5,455,861	5,725,926
(198,962)	(905,546)	(156,992)
-	(20,478)	3,258
-	(73,474)	750,897
(1,602)	160,616	(108,132)
(87,951)	36,699	54,001
-	2,666,668	666,666
122,231	350,416	178,549
-	32,745	28,339
(2,648)	2,893	(8,423)
-	73,479	899,962
-	121,150	499,738
<u>(10,181)</u>	<u>(3,652)</u>	<u>(12,122)</u>
<u>1,689,968</u>	<u>16,841,673</u>	<u>15,353,445</u>
<u>\$ 608,227</u>	<u>\$13,482,789</u>	<u>\$11,475,927</u>

CITY OF FORT SMITH, ARKANSAS

STATEMENT OF CHANGES IN PLAN NET ASSETS
ALL PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	<u>1999</u>	<u>1998</u>
ADDITIONS:		
Court fines and fees	\$ 16,167	\$ 16,350
Investment earnings	<u>37,782</u>	<u>36,888</u>
Total additions	<u>53,949</u>	<u>53,238</u>
DEDUCTIONS:		
Benefit payments	<u>9,419</u>	<u>12,855</u>
Total deductions	<u>9,419</u>	<u>12,855</u>
INCREASE IN NET ASSETS	44,530	40,383
NET ASSETS, beginning of year	<u>751,940</u>	<u>711,557</u>
NET ASSETS, end of year	<u>\$796,470</u>	<u>\$751,940</u>

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Fort Smith, Arkansas (the "City"), have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below:

A. Reporting Entity

The City is a municipality governed by an elected mayor and a seven-member Board of Directors (BOD). As required by GAAP, these financial statements present the City (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City based upon the criteria of GASB Statement 14, "The Financial Reporting Entity." Generally, GASB Statement 14 requires entities upon which the City is able to impose its will, or that are fiscally dependent upon the City, to be included in the City's financial reporting entity. Additionally, those entities that the nature and significance of their relationship with the City is such that exclusion from the City's financial reporting entity would render the City's financial statements incomplete or misleading, should also be included in the City's reporting entity.

Those entities that meet the above established criteria for inclusion, as well as meet either of the following criteria (1) provide services entirely or almost entirely for the City, or (2) whose board is substantively the same as the City's board, are required to be included as part of the primary government's financial statements through "blended" presentation. Those entities that meet the above established criteria for inclusion, but do not either (1) provide services entirely or almost entirely for the City, or (2) have the same or substantially the same board as the City, are required to be presented "discretely" or in a separate column as part of the City's reporting entity, but not part of the primary government. Entities for which the City is accountable because it appoints a voting majority of the Board but is not financially accountable, are related organizations.

All entities that are not included as "Blended Component Unit," "Discretely Presented Component Units," or "Related Organizations" below are excluded from the City's financial reporting entity.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The following is included as part of the primary government reporting entity:

Blended Component Unit

Municipal Court Retirement System (the "System"). The System functions for the benefit of the municipal court judges and municipal court clerk employed by the City. The System is governed by a six-member Board of Trustees. The Mayor, City Clerk, Director of Finance, the two municipal judges, and the City Nurse constitute the Board of Trustees. The City serves in a trustee capacity for the System. The System is presented as a pension trust fund of the City.

Discretely Presented Component Units

Proprietary:

Airport Commission. The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the BOD. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the BOD. The Airport Commission is an enterprise fund and is discretely presented in the City's general purpose financial statements. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 5600 Airport Boulevard, Fort Smith, Arkansas 72903, or from the City Clerk's office.

Fort Smith Parking Authority (the "Authority"). The Authority's governing board is appointed by the City's BOD; the operation and administration of the Authority's property is conducted by City personnel; and the legal liability for the Authority's revenue bond obligation remains with the City. In addition, the City provides a subsidy to fund the Authority's operations; however, the Authority functions almost entirely for the benefit of residents and other customers. The Authority is an enterprise fund and is discretely presented in the City's general purpose financial statements. Separate financial statements are not prepared for the Authority.

Governmental:

Advertising and Promotion Commission (the "Commission"). The Commission was established during 1989 to promote the City and increase tourism. The Commission is governed by seven members appointed by the City's BOD. The Mayor and one City board member serve as two of the seven members of the Commission. The City levies taxes for the Commission's revenue, performs administrative services for collection of taxes and provides financial services to the Commission. However, the Commission functions for the benefit of the citizens and visitors to the City. The Commission is a governmental fund and is discretely presented in the City's general purpose financial statements. Separate financial statements are not prepared for the Commission.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Public Library. The Board of Trustees for the Fort Smith Public Library manages the Public Library and consists of seven members as appointed by the Mayor and confirmed by the BOD. Debt is issued in the name of the City and the Public Library's ad valorem tax is levied by the City annually. The Public Library is a governmental fund and is discretely presented in the City's general purpose financial statements. Financial statements of the Public Library can be obtained from the Library's administrative office located at 61 South 8 Street, Fort Smith, Arkansas 72901, or from the City Clerk's office. The Public Library financial statements include a General Fund and a General Fixed Assets Account Group.

The following presents condensed financial statements for each of the four discretely presented component units:

Condensed Financial Statements – Discretely Presented Component Units

Balance Sheets

	<u>Proprietary</u>		<u>Governmental</u>		
	<u>Airport</u>	<u>Parking</u>	<u>Advertising</u>	<u>Public</u>	
	<u>Commission</u>	<u>Authority</u>	<u>and</u>	<u>Library</u>	<u>Total</u>
			<u>Promotion</u>		
Assets-					
Current assets	\$8,788,800	\$ 420,868	\$103,525	\$1,046,503	\$10,359,696
Sales taxes receivable from					
City of Fort Smith	-	-	-	117,010	117,010
Fixed assets, net of accumulated					
depreciation, as applicable	24,867,243	2,345,639	-	852,073	28,064,955
Deferred charges	<u>365,447</u>	<u>32,624</u>	<u>-</u>	<u>-</u>	<u>398,071</u>
Total assets	<u>\$34,021,490</u>	<u>\$2,799,131</u>	<u>\$103,525</u>	<u>\$2,015,586</u>	<u>\$38,939,732</u>

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

	<u>Proprietary</u>		<u>Governmental</u>		
	<u>Airport</u>	<u>Parking</u>	<u>Advertising</u>	<u>Public</u>	
	<u>Commission</u>	<u>Authority</u>	<u>Promotion</u>	<u>Library</u>	<u>Total</u>
Liabilities-					
Current liabilities	\$ 763,912	\$ 39,850	\$ 4,837	\$ 26,670	\$ 835,269
Bonds payable	5,240,700	1,969,891	-	-	7,210,591
Other	<u>532,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,565</u>
Total liabilities	<u>6,537,177</u>	<u>2,009,741</u>	<u>4,837</u>	<u>26,670</u>	<u>8,578,425</u>
Equity and other credits-					
Contributed capital	20,842,267	410,295	-	-	21,252,562
Investment in general fixed assets	-	-	-	847,073	847,073
Retained earnings	6,642,046	379,095	-	-	7,021,141
Fund balances	<u>-</u>	<u>-</u>	<u>98,688</u>	<u>1,141,843</u>	<u>1,240,531</u>
Total equity and other credits	<u>27,484,313</u>	<u>789,390</u>	<u>98,688</u>	<u>1,988,916</u>	<u>30,361,307</u>
Total liabilities and equity and other credits	<u>\$34,021,490</u>	<u>\$2,799,131</u>	<u>\$103,525</u>	<u>\$2,015,586</u>	<u>\$38,939,732</u>

Statements of Revenues, Expenses and Changes in Equity

	<u>Airport</u>	<u>Parking</u>	
	<u>Commission</u>	<u>Authority</u>	<u>Total</u>
Operating revenues	\$1,592,322	\$243,856	\$1,836,178
Operating expenses-			
Depreciation	1,561,839	73,963	1,635,802
Other	<u>1,094,439</u>	<u>187,678</u>	<u>1,282,117</u>
Operating loss	(1,063,956)	(17,785)	(1,081,741)
Other nonoperating revenue (expense)	328,859	(61,125)	267,734
Net transfer in from City of Fort Smith	<u>-</u>	<u>110,000</u>	<u>110,000</u>
Net income (loss)	(735,097)	31,090	(704,007)
Add back depreciation on contributed assets	1,277,419	-	1,277,419
Retained earnings, beginning	<u>6,099,724</u>	<u>348,005</u>	<u>6,447,729</u>
Retained earnings, ending	<u>\$6,642,046</u>	<u>\$379,095</u>	<u>\$7,021,141</u>

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Statements of Revenues, Expenditures and Changes in Equity

	<u>Advertising And Promotion</u>	<u>Public Library</u>	<u>Total</u>
Revenues	\$304,921	\$1,754,393	\$2,059,314
Current expenditures	<u>314,431</u>	<u>1,733,690</u>	<u>2,048,121</u>
Excess (deficiency) of revenues over (under) expenditures	(9,510)	20,703	11,193
Transfer out to City of Fort Smith	(8,847)	-	(8,847)
Fund balances, beginning	<u>117,045</u>	<u>1,968,213</u>	<u>2,085,258</u>
Fund balances, ending	<u>\$ 98,688</u>	<u>\$1,988,916</u>	<u>\$2,087,604</u>

Related Organization

The City's Mayor and BOD are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor and BOD appoint the members of the Fort Smith Housing Authority and the Solid Waste Management District; however, the City cannot impose its will upon the Housing Authority or the Solid Waste Management District as stated in GASB Statement 14; therefore, the financial operations of these related organizations have not been included in the City's general purpose financial statements.

B. Fund Accounting

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity or retained earnings, as appropriate, and revenues and expenses or expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Governmental Fund Types-

General Fund-

The General Fund is the principal fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Special Revenue Funds-

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Sales Tax Fund is the primary source of revenue of the Special Revenue Funds. Other major funds include the Street Maintenance Fund, LOPFI Contribution Fund, and funds that account for grants received from the Department of Housing and Urban Development - Community Development Block Grant Fund and the HOME Investment Partnership Act Fund. Additionally, the special grant fund consists of grants received from various other federal and state governmental entities.

Debt Service Fund-

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds-

The Capital Projects Funds are used to account for the acquisition of capital facilities being financed from bond proceeds, intergovernmental revenues, contributed capital, or transfers from other funds, other than those recorded in the Proprietary Fund Types.

Proprietary Fund Types-

Enterprise Funds-

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. These funds include the water and sewer and sanitation funds.

Internal Service Funds-

The Internal Service Funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis. These funds include the working capital fund (i.e., vehicle maintenance, office supplies, and operating equipment) and the City's self-insurance programs (employee insurance and workers' compensation).

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Fiduciary Fund Types-

Trust and Agency Funds-

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Pension Trust Funds and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups-

General Fixed Assets Account Group-

The General Fixed Assets Account Group represents a summary of the fixed assets of the City, other than assets of the Proprietary Funds. Capital outlays in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

General Long-Term Debt Account Group-

The General Long-Term Debt Account Group represents a summary of the long-term liabilities of the City paid principally by taxes levied by the City. This account group does not include debt accounted for in the Proprietary Funds or in the discretely presented component units.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases, i.e., revenues and other financing sources, and decreases, i.e., expenditures and other financing uses, in net current assets.

All Enterprise Funds, Internal Service Funds, and Pension Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity, i.e., net total assets, is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases, i.e., revenues, and decreases, i.e., expenses, in net total assets.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The City has adopted the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Accordingly, only existing Financial Accounting Standards Board statements issued on or before November 30, 1989, and all applicable GASB Statements are applied.

The accrual basis--The accrual basis of accounting is utilized by Enterprise Fund types, Internal Service Funds, Pension Funds, and discretely presented proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Modified accrual basis--The modified accrual basis is used for all other funds. Modifications in the accrual basis for these funds include the following:

1. Revenues are recognized when they become both measurable and available for use during the year. Under the modified accrual basis of accounting, "available" means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Significant revenues which have been accrued under the modified accrual basis of accounting include ad valorem taxes, sales taxes, utility franchise fees, state tax turnback, and interest. Other revenue sources from licenses and permits, fines and forfeitures, service charges, and other miscellaneous revenues are recognized as the cash is received. Grant revenues are recognized when eligible grant expenditures are incurred.
2. Expenditures are recognized when the related fund liability is incurred, except for interest and principal on general long-term debt, which are recorded when due or otherwise payable.
3. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

D. Budgets and Budgetary Accounting

The BOD adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. By December 1 of each year, the City Administrator is required to submit to the BOD a proposed budget for the fiscal year beginning on the following January 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 1, the budget is legally adopted by the BOD.
4. The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any department must be approved by the BOD. Budget amounts in the accompanying financial statements include transfers and revisions to the original budget totaling approximately \$2.2 million in 1999 which were primarily from providing funds for sanitation equipment, downtown project funds, and debt service requirements for the 1999 water and sewer bond issuance. For budgetary purposes, unencumbered appropriations lapse at year-end.
5. Annual budgets are legally adopted for the General Fund, for the Street Maintenance Fund in the Special Revenue Funds and for the Water and Sewer Operating and Sanitation Operating Funds. Budgets for the other Special Revenue Funds, Debt Service Fund, and Capital Projects Funds are normally established pursuant to the terms of the bond indentures, or the related federal and state grant awards, on a program or project basis. Accordingly, the Street Maintenance Fund is the only Special Revenue Fund for which an annual operating budget is prepared as a part of the City's annual operating budget, and a comparison of budget to actual is presented in the financial statements.
6. The budgets for the General Fund, Street Maintenance Fund, Water and Sewer Operating Fund, and the Sanitation Operating Fund are prepared on a basis which differs from GAAP. The difference between budget and GAAP basis for Governmental Fund types is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP) and advances and interfund payables are recorded as expenditures when repaid (budget) rather than recognized as interfund liabilities (GAAP). For Enterprise Fund types, the major differences between budget and GAAP basis are that encumbrances are recorded as the equivalent of expenses (budget) as opposed to no accounting recognition (GAAP), capital outlays are recorded as expenses (budget) as opposed to being capitalized (GAAP), and depreciation is not recorded as an expense for budgetary purposes. Accordingly, encumbrances, capital outlays, and depreciation have been reflected in the budget versus actual statements as budget adjustments, as appropriate, depending on fund type, to provide a more meaningful comparison. Budget versus actual comparisons are presented at the departmental level, the legal level of budgetary control. A reconciliation of entity differences between budgeted and nonbudgeted fund balances and retained earnings at December 31, 1999, is as follows:

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

	<u>Primary Government</u>		
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
Fund balance/retained earnings - budgeted funds, December 31, 1999	\$3,003,278	\$ 4,851,399	\$ 9,271,044
Fund balance/retained earnings - nonbudgeted funds, December 31, 1999	<u>-</u>	<u>27,995,030</u>	<u>67,094,634</u>
Fund balance/retained earnings - December 31, 1999	<u>\$3,003,278</u>	<u>\$32,846,429</u>	<u>\$76,365,678</u>

E. Cash and Investments

In order to facilitate cash management, the operating cash of certain funds is pooled into common bank accounts for the purpose of increasing income through combined investment activities. Investments, excluding pension trust fund investments, are carried at fair value. Interest earned on investments is recorded in the funds in which the investments are recorded.

Pension trust fund investments consist primarily of certificates of deposit which are carried at fair value.

F. Inventories

Inventories, consisting primarily of gasoline and waterline materials, are valued at cost. Cost is determined using a first-in, first-out method.

G. Fixed Assets

Enterprise Funds-

Fixed assets are recorded at cost, including interest during the construction period. Contributed property is recorded at fair market value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets, or on the units-of-production method based on filled capacity utilized for the City's landfill.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Improvements other than buildings in the sanitation funds include the construction of improvements to the municipal solid waste landfill. The City depreciates improvements other than buildings on the units-of-production method.

The ranges of estimated useful lives, excluding improvements other than buildings for the sanitation funds, are as follows:

<u>Fixed Asset</u>	<u>Useful Life (Years)</u>
Enterprise Funds-	
<u>Water and Sewer System</u>	
Water system	10 to 150
Sewer system	10 to 50
Machinery and equipment	3 to 10
<u>Sanitation</u>	
Buildings	35
Leasehold improvements	10 to 30
Machinery and equipment	3 to 10
Discretely Presented Component Units-Proprietary-	
<u>Airport Commission</u>	
Buildings and improvements	10 to 30
Improvements other than buildings	5 to 20
Machinery and equipment	3 to 15
Furniture and fixtures	3 to 10
Ramps, runways, taxiways, and improvements	3 to 50
<u>Parking Authority</u>	
Buildings	30
Machinery and equipment	3 to 10

Renewals and betterments of property and equipment are capitalized, whereas normal repairs and maintenance are charged to expense as incurred.

Interest is capitalized on Enterprise Fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

period. The projects funded by the tax-exempt debt have been completed, therefore there was no capitalized interest in 1999 or 1998.

General Fixed Assets-

General fixed assets are recorded as expenditures in the General, Special Revenue, and Capital Projects Funds when acquired. Such assets are capitalized at historical cost, including interest during the construction period, in the General Fixed Assets Account Group. Significant gifts or contributions of assets are recorded in the General Fixed Assets Account Group at the fair market value at the date of acquisition. Public domain (infrastructure) general fixed assets consisting of streets, curbs, sidewalks, gutters, and drainage systems are not capitalized. No depreciation is provided on general fixed assets.

H. Contributed Capital

Proprietary Fund Types-

Contributed capital is recorded at the fair value of the asset contributed as of the date of contribution. The activity during the year is summarized below:

	<u>Primary Government</u>		Component	Component	Total
	<u>Enterprise</u>	<u>Internal</u>	<u>Unit</u>	<u>Unit</u>	<u>Total</u>
	<u>Funds</u>	<u>Service</u>	<u>Airport</u>	<u>Parking</u>	<u>Reporting</u>
		<u>Funds</u>	<u>Commission</u>	<u>Authority</u>	<u>Entity</u>
Contributed capital, beginning of year	\$44,095,315	\$1,697,495	\$19,061,716	\$410,295	\$65,264,821
Contributions during the year-					
In aid of construction	881,754	-	-	-	881,754
From other municipalities or governmental units	-	-	3,057,970	-	3,057,970
Depreciation on contributed capital assets	-	-	(1,277,419)	-	(1,277,419)
Contributed capital, end of year	<u>\$44,977,069</u>	<u>\$1,697,495</u>	<u>\$20,842,267</u>	<u>\$410,295</u>	<u>\$67,927,126</u>

I. Property Tax Revenue

Taxes are levied on October 1 and are due and payable at that time. Property taxes attach an enforceable lien on property the first Monday in January. All unpaid taxes levied October 1 become delinquent October 10 of the following year.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Sebastian County is the collecting agent for the levy and remits the collections to the City, net of a collection fee.

The City is permitted by Arkansas State Law to levy taxes up to \$.50 per \$100 of assessed valuation on real and personal property for general governmental services, \$.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 1999 to finance the above operations was \$.70 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$.50 per \$100 of assessed valuation on real and personal property. Approximately \$3,903,887 of additional taxes could be raised per year based on the current year's assessed value of \$535,068,911 for real property and \$245,708,442 for personal property before the limit is reached.

J. Compensated Absences

The City allows nonuniformed employees to accumulate unused vacation of up to 160 hours, police to accumulate unused vacation of up to 160 hours, and firefighters to accumulate unused vacation of up to 216 hours for one year. Upon termination, any accumulated unused vacation time will be paid to the employees. Generally, City employees are allowed to accumulate unused sick leave up to a maximum of 120 days. Any accumulated unused sick leave over 45 days for nonuniformed employees hired prior to February 4, 1992, and any accumulated unused sick leave over 90 days for nonuniformed employees hired February 4, 1992, and thereafter is paid upon termination. At the end of term of service, police officers will be paid for any accumulated unused sick leave upon retirement to a maximum amount equal to three months' salary for police officers in the rank retired. At the end of term of service, firefighters shall be paid for any accumulated unused sick leave upon retirement to a maximum amount of three months' salary in the rank of Assistant Chief and above and to a maximum amount of 728 hours for firefighters in the rank of Captain and below.

The City records a liability for compensated absences as the employee earns benefits attributable to services already rendered that are not contingent on a specific event that is outside the control of the City. Additionally, the City accrues benefits for earned sick leave only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies. As of December 31, 1999, the liability for accrued vacation and accrued sick leave for the primary government is \$3,182,584. The amounts applicable to the Enterprise Funds \$(763,262) have been recorded in those funds, and the amounts applicable to other funds (\$2,419,322) have been recorded in the General Long-Term Debt Account Group. The amount expected to be paid from current resources is not significant. Accrued vacation and sick leave liability activity for the year consisted of the current year accruals net of vacation and sick leave taken.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

K. Risk Management

Prior to fiscal year 1997, the City only maintained a health self-insurance plan, which was funded by the City and administered by an insurance company. Effective January 1, 1997, City employees were granted the option of choosing medical plan coverage provided by an HMO Plan or continue in the self-insured plan. In 1998, all participants were required to participate in the self-insured plan. These plans provide certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's cost of providing these benefits, including premiums, totaled \$4,017,189 and \$3,976,840 in 1999 and 1998, respectively, and are included in operating expenses in the Employee Insurance Fund. The costs for providing these benefits to retired employees is not identified separately from the costs attributable to the active employees. The City contributes fully for each employee and shares the contribution for any dependents. Retired employees may continue coverage under the City's policy, but must bear the entire cost of these contributions.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$275,561 and \$501,895 in 1999 and 1998, respectively, to fund this program. There have been no significant reductions in insurance coverage from coverage in the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

L. Sales Taxes

In November 1985, the City began assessing a 1% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City or in control of the taxing authority at year-end totaled \$14,689,273 and \$13,936,617 for fiscal years 1999 and 1998, respectively, and are included in the Sales Tax Fund's sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for repair, maintenance, and improvement of City streets, bridges, and associated drainage.

In August 1994, Sebastian County began assessing a 1% sales and use tax on retail sales in the county. Each city within Sebastian County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 73% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for the purposes specified below remitted to the City or in control of the taxing authority totaled \$11,812,187 and \$11,243,858 for fiscal years 1999 and 1998, respectively. These taxes are included in the General Fund's sales tax revenues, \$7,087,312 in 1999 and \$6,408,999 in 1998, and in the Enterprise Fund's other nonoperating revenues, \$4,724,875 in 1999 and \$4,834,859 in 1998.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The Board of Directors approved a resolution of commitment wherein the distribution of the City's share of the county sales tax was established. The resolution earmarked the revenues as follows: 33% to the Water and Sewer Fund to help subsidize some of the anticipated cost to upgrade the City's wastewater system, 10% to the Sanitation Fund to help subsidize the capital, operating, and debt service cost of the landfill, and the remaining 57% to the General Fund for general government purposes such as public safety, library, public transportation, downtown redevelopment, riverfront development, senior citizen centers, and park improvements. The Board of Directors authorized the following distribution of the county sales tax in the 1999 budget preparation and used the following rates for the 1999 allocations: 33% to the Water and Sewer Fund, 7% to the Sanitation Fund, and 60% to the General Fund.

In January 1998, the City began assessing a 1/2% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City or in control of the taxing authority at year-end totaled \$7,344,637 and \$6,253,603 for fiscal 1999 and 1998, respectively, and are included in the debt service fund sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for the repayment of the Sales and Use Tax Construction Bonds, Series 1997, which are funding the Civic Center, Library, and Riverfront Park improvements. The bonds are anticipated to be retired by 2006.

M. "Memorandum Only" Total Columns

Total columns on the combined statements are captioned as "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with GAAP, nor are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. Statements of Cash Flows

For purposes of the statement of cash flows, the Enterprise Funds, Internal Service Funds, and discretely presented proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents, which are classified as cash and restricted cash in the accompanying balance sheet.

O. Advances to/from Other Funds

Noncurrent portions of long-term interfund loan receivables and payables are reported as advances.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

2. CASH AND INVESTMENTS:

The City maintains a cash and investment pool that is available for use by all City funds. The Municipal Court Retirement System is the only City pension fund to participate in the pool. In addition, investments are separately held by some of the City's funds.

In March 1997, GASB issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement requires certain investments to be reported at fair value on the balance sheet, with the related gains and losses included in the combined statement of revenues, expenditures and changes in fund balance/combined statement of revenues, expenses and changes in fund equity. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. The investments and deposits of the primary government are stated at quoted market values. As a result, an unrealized loss of approximately \$424,000 is recorded as a decrease in fair value of investments for the primary government in 1999 and an unrealized gain of approximately \$480,000 was recorded as an increase in fair value of investments for the primary government in 1998. An unrealized gain of approximately \$100 in 1999 is recorded as an increase in fair value of investments for component units and an unrealized loss of approximately \$81,000 in 1998 was recorded as a decrease in fair value of investments for component units.

Deposits

State and City statutes authorize the City's funds to be deposited in demand deposits or certificates of deposit. The City's deposits at the carrying value and the bank balance at year-end are shown below.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes deposits that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The bank balance and carrying amount of the City's deposits held as of December 31, 1999, were as follows:

Pooled and Non-Pooled Funds

<u>Description</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand deposits	\$24,924,496	\$ -	\$ -	\$24,924,496	\$24,728,196
Certificates of deposit	<u>66,555,818</u>	<u>-</u>	<u>-</u>	<u>66,555,818</u>	<u>66,555,818</u>
	<u>\$91,480,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$91,480,314</u>	<u>\$91,284,014</u>

Pension Funds

<u>Description</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of deposit	<u>\$796,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$796,463</u>	<u>\$796,463</u>

Component Units

At year-end, the carrying amount of the Airport Commission's deposits was \$8,288,779 and the bank balance was \$8,234,412. Of the bank balance, \$200,000 was covered by federal depository insurance (Category 1) and \$8,034,412 was covered by collateral held by the pledging bank's agent in the Airport Commission's name (Category 2).

At year-end, the carrying amount and the bank balance of the Parking Authority's deposits was \$328,022. The balance was covered by collateral held by the pledging bank's agent in the City's name (Category 2).

At year-end, the carrying amount and the bank balance of the Advertising and Promotion Commission's deposits was \$88,158 and was covered by collateral held by the City's agent in the City's name (Category 1).

At year-end, the carrying amount of the Public Library's deposits was \$768,874 and the bank balance was \$768,874. Of the bank balance, \$674,832 was covered by federal depository insurance (Category 1), and \$94,042 was uninsured (Category 3).

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Investments

State statutes and City ordinances authorize the City to invest funds, except pension funds, in obligations of the U.S. government. The City pension funds are authorized to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper, corporate stocks, bonds, and mutual funds.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

The City's investments, including accrued interest, held as of December 31, 1999, were as follows:

Pooled and Non-Pooled Funds

<u>Description</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Treasury Bills	\$24,003,709	\$ -	\$ -	\$24,003,709	\$23,996,532
U.S. Treasury Notes	<u>12,111,131</u>	<u>-</u>	<u>-</u>	<u>12,111,131</u>	<u>12,111,131</u>
	<u>\$36,114,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$36,114,840</u>	<u>\$36,107,663</u>

Component Units

At year-end, the Public Library held \$174,686 in stocks, corporate bonds, unit investment trusts, and mutual funds, including accrued interest. The Public Library investments are not classified as to collateral risk because the investments are not evidenced by securities that exist in book entry or physical form. The Public Library reports investments at fair value.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Total deposits and investments, including accrued interest, are presented on the combined balance sheet in the Totals (Memorandum Only) column as follows:

Primary Government-	
Cash	\$ 353,449
Investments	84,950,899
Accrued interest	340,049
Restricted-cash	51,134
Restricted-investments	42,280,314
Restricted-accrued interest receivable	<u>219,472</u>
Total Primary Government	<u>128,195,317</u>
Component Units-	
Airport Commission-	
Cash	562,565
Investments	5,161,999
Accrued interest	42,078
Restricted - cash	250,304
Restricted - investments	2,256,930
Restricted - accrued interest receivable	<u>14,903</u>
Total Airport Commission	<u>8,288,779</u>
Parking Authority-	
Restricted - investments	326,598
Restricted - accrued interest receivable	<u>1,424</u>
Total Parking Authority	<u>328,022</u>
Advertising and Promotion Commission-	
Cash	25
Investments	87,726
Accrued Interest	<u>407</u>
Total Advertising and Promotion Commission	<u>88,158</u>

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Public Library-	
Cash	\$ 768,874
Investments	174,473
Accrued interest	<u>213</u>
Total Public Library	<u>943,560</u>
Total Reporting Entity	<u><u>\$137,843,836</u></u>

3. FIXED ASSETS:

General Fixed Assets

Primary Government-

General fixed assets balances and transactions for the year ended December 31, 1999, are summarized below:

	<u>December 31,</u> <u>1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>December 31,</u> <u>1999</u>
Land	\$ 7,925,079	\$ 954,394	\$ 50,000	\$ -	\$ 8,829,473
Buildings	12,209,859	449,208	-	682,582	13,341,649
Improvements other than buildings	4,917,735	196,875	-	-	5,114,610
Machinery and equipment	11,536,363	1,256,816	313,668	-	12,479,511
Construction-in-progress	<u>3,971,560</u>	<u>14,875,234</u>	<u>-</u>	<u>(682,582)</u>	<u>18,164,212</u>
	<u>\$40,560,596</u>	<u>\$17,732,527</u>	<u>\$363,668</u>	<u>\$ -</u>	<u>\$57,929,455</u>
Investment in General Fixed Assets-					
From bond issues	\$14,593,045	\$15,625,721	\$ -	\$ -	\$30,218,766
From current revenue	24,869,506	1,946,806	313,668	-	26,502,644
From contributions	<u>1,098,045</u>	<u>160,000</u>	<u>50,000</u>	<u>-</u>	<u>1,208,045</u>
Total	<u>\$40,560,596</u>	<u>\$17,732,527</u>	<u>\$363,668</u>	<u>\$ -</u>	<u>\$57,929,455</u>

Additions consisted of expenditures from the General Fund (\$1,357,964), the Special Revenue Funds (\$588,842), the Capital Projects Funds (\$15,625,721), and contributions (\$160,000).

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Component Unit-

The Public Library fixed assets balance and transactions for the year ended December 31, 1999, are summarized below:

	<u>December 31,</u> <u>1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>December 31,</u> <u>1999</u>
Land	\$ 578,247	\$ -	\$ -	\$ -	\$ 578,247
Buildings and improvements	811,186	-	-	-	811,186
Furniture and fixtures	426,239	-	-	-	426,239
Vehicles	135,952	-	-	-	135,952
Allowance for depreciation	<u>(1,037,901)</u>	<u>(66,650)</u>	<u>-</u>	<u>-</u>	<u>(1,104,551)</u>
Investment in General Fixed Assets	<u>\$ 913,723</u>	<u>\$ (66,650)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 847,073</u>

Enterprise Funds

Fixed assets of these funds are as follows:

	<u>December 31,</u> <u>1999</u>	<u>1998</u>
Water and Sewer-		
Land	\$ 5,140,134	\$ 5,095,104
Machinery and equipment	6,095,318	5,533,473
Water system	90,801,887	87,077,648
Sewer system	68,438,846	68,762,816
Less- Allowance for depreciation	<u>(55,554,537)</u>	<u>(50,804,813)</u>
	114,921,648	115,664,228
Construction-in-progress	<u>5,903,455</u>	<u>3,093,448</u>
Total Water and Sewer	<u>120,825,103</u>	<u>118,757,676</u>
Sanitation-		
Land	373,772	373,772
Buildings	1,324,385	929,771
Improvements other than buildings	12,412,786	11,991,794
Leasehold improvements	703,074	703,074
Machinery and equipment	10,996,158	9,823,786
Less- Allowance for depreciation	<u>(13,208,510)</u>	<u>(11,470,581)</u>
	12,601,665	12,351,616
Construction-in-progress	<u>208,970</u>	<u>589,626</u>
Total Sanitation	<u>12,810,635</u>	<u>12,941,242</u>
Total for Enterprise Funds	<u>\$133,635,738</u>	<u>\$131,698,918</u>

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Component Units

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Airport Commission-		
Land	\$ 4,372,374	\$ 4,372,374
Buildings and improvements	5,287,191	5,200,017
Improvements other than buildings	981,266	976,812
Machinery and equipment	937,953	943,624
Furniture and fixtures	283,686	220,935
Ramps, runways, taxiways, and improvements	27,628,869	25,350,060
Less- Allowance for depreciation	<u>(18,029,576)</u>	<u>(16,496,670)</u>
	21,461,763	20,567,152
Construction-in-progress	<u>3,405,480</u>	<u>2,722,400</u>
Total Airport Commission	<u>\$24,867,243</u>	<u>\$23,289,552</u>
Parking Authority-		
Land	\$1,298,194	\$ 860,097
Building	1,660,911	1,656,118
Machinery and equipment	49,174	52,769
Less- Allowance for depreciation	<u>(662,640)</u>	<u>(592,272)</u>
Total Parking Authority	<u>\$2,345,639</u>	<u>\$1,976,712</u>

Construction-in-progress is composed of the following:

	<u>Project Appropriation</u>	<u>Expended to December 31, 1999</u>	<u>Committed</u>
<u>Primary Government</u>			
Water and Sewer Capital Improvements	\$42,488,955	\$5,903,455	\$36,585,500
Sanitation Sinking/Landfill Construction	<u>1,041,436</u>	<u>208,970</u>	<u>832,466</u>
	<u>\$43,530,391</u>	<u>\$6,112,425</u>	<u>\$37,417,966</u>
<u>Component Unit</u>			
Airport Commission	<u>\$ 5,744,361</u>	<u>\$3,405,480</u>	<u>\$ 2,338,881</u>

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The City does not anticipate additional financing associated with the Water and Sewer capital improvements and the Sanitation Sinking/Landfill Construction improvements for the projects in progress. However, the City anticipates financing approximately \$8.4 million in sales tax financed capital improvements, which when completed, is expected to enable the City to meet EPA's new Section 503 sludge management regulations. The City is expected to meet EPA's wet weather sewer mandates utilizing a pay-as-we-go strategy; however, future debt issuances may be necessary to fund certain capital improvements in the future. The City expects future debt issuances to fund the second and third phases of the Lake Fort Smith Water Supply Expansion Project. Additionally, the Airport Commission does not anticipate additional financing associated with capital improvements other than through grant funding.

4. LONG-TERM DEBT:

General Long-Term Debt

General long-term debt balances and transactions for the year ended December 31, 1999, are summarized below:

	Balance, December 31, 1998	Additions	Deletions	Balance, December 31, 1999
Accrued vacation and sick leave	\$ 2,159,569	\$373,349	\$ 113,596	\$ 2,419,322
1997 sales and use tax bonds payable	43,555,000	-	5,520,000	38,035,000
Litigation settlement accrual	179,000	-	-	179,000
Total	<u>\$45,893,569</u>	<u>\$373,349</u>	<u>\$5,633,596</u>	<u>\$40,633,322</u>

On November 21, 1997, the City issued \$45,655,000 Arkansas Sales and Use Tax Bonds, Series 1997, dated December 1, 1997. The Bonds were issued to finance the costs of acquiring and constructing civic center, library, and park improvements. The principal amount of the Bonds is allocated among the three projects at \$20,405,000 for civic center improvements, \$19,840,000 for library improvements, and \$5,410,000 for park improvements. The Bonds are not general obligations of the City, but are special obligations payable solely from collections from a one-half percent (1/2%) sales and use tax levied by the City beginning January 1, 1998. The issuance of the Bonds and the pledging of the tax to the payment of principal of and interest on the Bonds was approved at a special election held October 28, 1997.

The Bonds mature on December 1 of each year through December 1, 2009, with interest ranging from 4% to 6% payable semiannually. The Bonds are subject to extraordinary redemption from surplus tax receipts and proceeds of the Bonds not needed for the purposes intended at a redemption price equal to

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

the principal amount being redeemed plus accrued interest to the redemption date. The bond ordinance requires a debt service reserve in the amount of \$2,725,000 be maintained during the life of the Bonds.

The bond proceeds of the \$45.655 million Arkansas Sales and Use Tax Bonds were covered by arbitrage provisions of the Internal Revenue Tax Act of 1986. Accordingly, excess arbitrage earnings of approximately \$613,000 were estimated at December 31, 1999, and are included in the 1997 Sales and Use Tax Construction Fund, a capital projects fund, as other long term obligations.

Revenue Bonds

The following is a summary of revenue bond transactions of the City for the year ended December 31, 1999:

Bonds outstanding, December 31, 1998	\$33,965,000
Maturities	(1,780,000)
Issues	<u>26,415,000</u>
 Bonds outstanding, December 31, 1999	 <u>\$58,600,000</u>

Revenue bonds outstanding at December 31, 1999, are comprised of the following individual issues:

Revenue Bonds-

Water and Sewer

\$27,215,000 of Series 1994 Water and Sewer Refunding and Construction Revenue Bonds; \$20,675,000 of which are serial bonds due in annual installments at varying amounts through October 1, 2009; interest ranging from 3.70% to 5.75% payable semiannually; \$6,540,000 of which are term bonds due October 1, 2012, with interest at 6% payable semiannually

\$22,035,000

\$26,415,000 of Series 1999 Water and Sewer System Revenue Bonds; \$18,815,000 of which are serial bonds due in annual installments at varying amounts through October 1, 2015, with interest ranging from 3.80% to 5.375% payable semiannually; \$7,600,000 of the bonds are term bonds due October 1, 2019, with interest at 5.65% payable semiannually

26,415,000

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Sanitation

\$9,185,000 of Series 1995 Solid Waste Revenue Construction Bonds; \$5,125,000 of which are serial bonds due in annual installments at varying amounts through December 1, 2006, with interest ranging from 4.25% to 5.55% payable semiannually; \$4,060,000 of which are term bonds due December 1, 2011, with interest at 5.85%, payable semiannually

\$ 7,395,000

\$3,055,000 of Series 1998 Solid Waste Refunding Revenue Bonds due in annual installments at varying amounts through December 1, 2009, with interest ranging from 3.65% to 4.55% payable semiannually

2,755,000

Bonds outstanding, December 31, 1999

58,600,000

Less-

Unamortized bond discount

(886,791)

Deferred amount on refunding

(631,171)

Net bonds outstanding, December 31, 1999

\$57,082,038

Water and Sewer

On July 1, 1994, the City issued \$27,215,000 in Water and Sewer Refunding and Construction Revenue Bonds, Series 1994, to be used for construction and improvements to the Water and Sewer Systems in accordance with the City's Capital Improvement Plan, and to advance refund the Series 1987 and 1977 bonds. The net proceeds provided by the refunding debt were used to purchase securities that were placed in an irrevocable trust which will provide resources for all future debt payments on the refunded debt. The refunded debt is considered defeased and the related liabilities have been removed from the Water and Sewer Fund balance sheet. The reacquisition price exceeded the carrying amount of the old debt by \$1,680,000. The unamortized amount of \$378,486 is netted against the previously outstanding debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method.

The 1977 bonds were redeemed on October 1, 1994, and management redeemed the 1987 bonds on April 1, 1997. There is no water and sewer defeased debt outstanding at December 31, 1999.

The Series 1994 Revenue Bonds may be redeemed at the option of the City in whole on any date or in part on any interest payment date, from funds from any source, in inverse order of maturity on and after April 1, 2004, at a redemption price of 101% for the period April 1, 2004, through March 31, 2005, 100.5% for the period April 1, 2005, through March 31, 2006, and 100% April 1, 2006, and thereafter.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

On September 21, 1999, the City issued \$26,415,000 in Water and Sewer System Revenue Bonds, Series 1999, to be used for the first phase of the Lake Fort Smith Water Supply Expansion Project, improvements to the Lee Creek water impoundment, and improvements to the existing water transmission, storage and distribution system in accordance with the City's Capital Improvement Plan. The Series 1999 Bonds are issued as additional bonds under the Series 1994 ordinance on a parity of security with the Series 1994 Bonds.

The Series 1999 Bonds may be redeemed at the option of the City, on and after October 1, 2009, in whole on any date or in part on any interest payment date, from any source, in inverse order of maturity at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption.

The Series 1994 and 1999 Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the authorizing bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the revenue bond funds, and third to pay the cost of replacements made necessary by the depreciation of the system. Any remaining revenues may then be used for redemption of the bonds prior to maturity, as discussed above, for the purchase of bonds at a price not to exceed par and accrued interest, for construction, extension, betterments and improvements to the system, or for any other lawful purpose.

The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. As of December 31, 1999, the City is in compliance with all applicable requirements. Restricted accounts required by the bond ordinances are as follows:

Bond Retirement - The City is required to restrict funds for the payment of principal, interest, and trustee and paying agents' fees up to a maximum of \$2,468,640 related to the Series 1994 Bonds and \$2,179,463 related to the Series 1999 Bonds. The City held surety bonds valued at \$2,468,640 and \$2,179,463 at December 31, 1999, for this purpose.

Asset Replacement - 3% of the gross revenues of the water and sewer system for the then preceding month plus \$5,000 per month until the sum of \$500,000 has been accumulated in the Depreciation Fund. Amounts are to be used for replacements made necessary by the depreciation of the system. The City has accumulated \$500,000 for asset replacement as of December 31, 1999.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Sanitation

In November 1994, the City issued \$3,560,000 in Solid Waste Refunding Revenue Bonds for the purpose of providing a portion of the funds to construct the second phase of the City's landfill. In June 1995, the City issued \$9,185,000 of Solid Waste Refunding and Construction Bonds to refund the previously outstanding Temporary Solid Waste Revenue Bonds and to provide financing for future expansion of the Municipal Solid Waste Landfill. In April 1998, the City issued \$3,055,000 of Solid Waste Refunding Revenue Bonds to advance refund the outstanding Series 1994 Solid Waste Revenue Bonds. The net proceeds provided by the refunding debt were used to purchase securities that were placed in an irrevocable trust, which will provide resources to redeem the debt on December 1, 2001, at 101%. The refunded debt is considered defeased and the related liabilities have been removed from the Sanitation Fund balance sheet. In accordance with GASB Statement 23, the unamortized amount of \$252,685 is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method, since the refunded debt's life is the same as the new debt.

The Series 1995 Solid Waste Bonds may be redeemed at the option of the City on and after December 1, 2002, in whole on any date or in part on any interest payment date, from funds from any source, in inverse order of maturity at a redemption price plus accrued interest to the date of redemption at 101% for the period December 1, 2002, through November 30, 2003, at 100.5% for the period December 1, 2003, through November 30, 2004, and at 100% for the period December 1, 2004, and thereafter.

The Series 1998 Solid Waste Bonds may be redeemed at the option of the City on and after December 1, 2003, in whole on any date or in part on any interest payment date, in inverse order of maturity at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

The amount of defeased debt at December 31, 1999, was \$2,705,000. The Series 1995 and 1998 Revenue Bonds are collateralized by the revenue of the solid waste system and the various special funds established by the authorizing ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the revenue bond funds, and third to pay the cost of replacements made necessary by the depreciation of the system. Any remaining revenues may then be used for redemption of the bonds prior to maturity, as discussed above, for the purchase of bonds not to exceed par and accrued interest, for construction, betterments, and improvements to the system or for any other lawful purpose.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. As of December 31, 1999, the City is in compliance with all applicable requirements. Restricted accounts required by the bond ordinance are as follows:

Bond Retirement - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$777,264 as of December 31, 1999. Of this amount, \$602,143 is related to the Series 1995 Bonds and \$175,121 is related to the Series 1998 Bonds.

Maturity Schedule

Aggregate maturities of bonds are as follows:

	<u>Sales and Use Tax Bonds</u>	<u>Revenue Bonds</u>
2000	\$ 5,142,420	\$ 5,805,095
2001	5,143,695	5,799,723
2002	5,143,220	5,798,928
2003	5,140,770	5,797,912
2004	5,143,005	5,791,722
Thereafter	<u>23,036,035</u>	<u>60,458,364</u>
 Total payments	 48,749,145	 89,451,744
 Less- Interest included above	 <u>10,714,145</u>	 <u>30,851,744</u>
 Total principal	 <u>\$38,035,000</u>	 <u>\$58,600,000</u>

Component Units

Airport Commission-

On September 9, 1999, the Airport Commission issued \$5,290,000 of City of Fort Smith, Arkansas Airport Refunding and Improvement Revenue Bonds, Series 1999, dated October 1, 1999. Together with \$177,855 of existing funds, approximately \$4,514,415 of the net proceeds is being used to construct a new terminal, and \$269,275 is being used to currently refund \$260,000 of Series 1978 Bonds. The Series 1978 Bonds refunded were redeemed December 1, 1999. The refunded debt is considered defeased and the related liabilities have been removed from the balance sheet.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

At December 31, 1999, bonds payable were \$5,290,000. The bonds are due in annual installments at varying amounts through October 1, 2029, with interest ranging from 4.80% to 6.25%, payable semiannually. The bonds outstanding net of unamortized discount at December 31, 1999, was \$5,240,700.

Maturities of revenue bonds payable for succeeding years are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2000	\$ 319,740
2001	319,740
2002	364,740
2003	382,580
2004	404,395
Thereafter	<u>10,116,450</u>
Total payments	11,907,645
Less- Interest included above	<u>6,617,645</u>
Total bonds outstanding at December 31, 1999	5,290,000
Less- Unamortized bond discount	<u>(49,300)</u>
Net bonds outstanding, December 31, 1999	<u>\$ 5,240,700</u>

The Series 1999 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption. The Commission may prepay all or a portion of the bonds in inverse order of maturity in whole at any time or in part on any interest payment date on or after October 1, 2009, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Series 1999 Bonds must be redeemed from proceeds not needed for the purposes intended on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity. To the extent not previously redeemed, the Series 1999 Bonds maturing on October 1, 2021, and October 1, 2029, are subject to mandatory sinking fund redemption.

The bond covenants require the maintenance of the following restricted account:

Bond Retirement - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$406,930 as of December 31, 1999.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Parking Authority-

On November 1, 1998, the City issued \$2,025,000 of Parking Facilities Revenue Funding and Improvement Revenue Bonds, Series 1998. Together with \$675,000 of existing funds, approximately \$2,072,000 of the net proceeds are being used to acquire and improve off-street parking facilities, including necessary demolition, and \$849,000 is being used to advance refund \$825,000 of Series 1991 Bonds. The net proceeds provided by the refunding debt were used to purchase securities that were placed in an irrevocable trust which will provide resources for the debt payment on the refunded debt on January 1, 1999. The refunded debt is considered defeased and the related liabilities have been removed from the Parking Authority Fund balance sheet. In accordance with GASB Statement 23, the unamortized amount of \$28,179 is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method, since the refunded debt's life is the same as the new debt.

There is no defeased debt outstanding at December 31, 1999, with respect to the 1998 refunding. The Parking Facilities Refunding and Improvement Revenue Bonds are collateralized by the revenues derived from the operations of parking facilities and by the revenues derived from parking meters located in the City. The restricted account required by the bond ordinance is as follows:

Bond Retirement - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$79,476 as of December 31, 1999.

The Series 1998 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption. The City may prepay all or a portion of the bonds in inverse order of maturity in whole at any time or in part on any interest payment date on and after December 1, 2003, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Series 1998 Bonds must be redeemed from proceeds not needed for the purposes intended on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity. To the extent not previously redeemed, the Series 1998 Bonds maturing on December 1, 2015, and December 1, 2019, are subject to mandatory sinking fund redemption.

At December 31, 1999, parking authority revenue bonds payable was \$2,025,000. The bonds are due in annual installments at varying amounts through December 1, 2019, with interest ranging from 3.80% to 4.75%, payable semiannually. The bonds outstanding net of unamortized discount and deferred amount on refunding at December 31, 1999, was \$1,969,891.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Maturities of revenue bonds payable for succeeding years are as follows:

2000	\$ 154,955
2001	157,485
2002	154,755
2003	156,955
2004	153,918
Thereafter	<u>2,352,087</u>
 Total payments	 3,130,155
 Less- Interest included above	 <u>1,105,155</u>
 Bonds outstanding, December 31, 1999	 2,025,000
 Less-	
Unamortized bond discount	(33,976)
Deferred amount on refunding	<u>(21,133)</u>
 Net bonds outstanding, December 31, 1999	 <u>\$1,964,891</u>

Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the state, the City nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 1999, there was one series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$1 million.

5. RISK MANAGEMENT:

The City is exposed to various risks of loss related to the City's self-insurance of workers' compensation and health and other medical benefits provided to employees and retirees, and their dependents and beneficiaries. The City accounts for these programs through the Employee Insurance Fund and Workers' Compensation Fund. Each fund is an internal service fund. In addition, the City limits property and

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

casualty losses and manages risk through the purchase of insurance policies with several different carriers.

All funds of the City participate in the City's insurance programs described in Note 1 and make payments to the respective self-insurance funds based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. The Airport Commission participates in the City's health plans by making contributions as required by the City. At December 31, 1999, the retained earnings (deficit) balances were \$(1,443,298) and \$1,323,155 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$874,333 and \$414,485 reported in the Health Insurance and Workers' Compensation Funds, respectively, are based on the requirements of GASB Statement Number 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. These liabilities include accruals for claims incurred but not reported, based upon the City's historical claims rate. These liabilities are the City's best estimate based on available information. Changes in the reported liabilities during 1999 are detailed below:

	<u>Employee Insurance</u>	<u>Workers' Compensation</u>
Self-insurance liability, December 31, 1997	\$ 233,265	\$ 434,665
Current year claims and changes in estimate	4,478,847	(65,515)
Claim payments	<u>(3,837,779)</u>	<u>(75,815)</u>
Self-insurance liability, December 31, 1998	874,333	293,335
Current year claims and changes in estimate	3,751,349	475,445
Claim payments	<u>(3,751,349)</u>	<u>(354,295)</u>
Self-insurance liability, December 31, 1999	<u>\$ 874,333</u>	<u>\$ 414,485</u>

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

6. PENSION PLANS:

Public Employees Retirement System

Plan Description-

Effective April 1, 1997, the Public Employees' Retirement System (PERS) was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code (the "401(a) Plan"). The International City Management Association Retirement Corporation (ICMARC) serves as administrator of the 401(a) Plan. All full-time, nonuniformed employees with the exception of the two municipal judges and the Municipal Court Clerk are covered by the 401(a) Plan. Each participant has a plan account to which the contributions are made and each participant manages their account by selecting from various investment options offered by ICMARC. Plan benefits are based upon the total amount of money in an individual's account at retirement. Plan provisions and contribution rates are established by the 401(a) plan agreement between the Board of Directors and ICMARC. Approval from both the Board of Directors and ICMARC is required for 401(a) Plan amendments. Employees make no contributions to the 401(a) plan; however, the City makes contributions equal to 10% of each covered employee's earnings. Employer contributions to the PERS plan totaled approximately \$1.4 million and \$1.3 million for 1999 and 1998, respectively.

The present value of each PERS active member at March 31, 1997, was transferred to ICMARC in the participant's name. An annuity contract from an insurance company was purchased to continue to provide benefit payments to beneficiaries of PERS. The remaining balance of approximately \$1.7 million was transferred to the Employee Insurance Fund to provide for future employee benefits. Additionally, the contract was purchased whereby all beneficiaries will receive a 3% cost of living adjustment every three years beginning January 1, 1998. The present value of the deferred vested members of PERS may be withdrawn or rolled into a qualified plan at the member's choice.

Municipal Judge and Court Clerk's Retirement System

The City sponsors and administers the Municipal Judge and Court Clerk's Retirement System (the "Plan"), a single-employer defined benefit public employees retirement system, for municipal court judges and the municipal court clerk. The Plan was established by the City in accordance with Arkansas statutes and is included in the City's primary financial reporting entity as a separate pension trust fund. Benefits of one-half of the highest annual salary after 20 years of service are payable at termination and for the remainder of the participant's natural life. Covered payroll of the system for the years ended December 31, 1999 and 1998, was \$154,841 and \$187,979, respectively.

At December 31, 1999 and 1998, the Plan had no active vested members, three nonvested, and one retiree. Funding for the system is provided by the assessment of a fee of \$1.00 for entering upon the records of the Court each criminal case and each moving traffic violation and \$.20 for each summons in

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

a civil action. Total contributions from fines and forfeitures in 1999 and 1998 amounted to \$16,167 and \$16,350, respectively. The City and Plan members are not required to make contributions to the Plan. No actuarial information was obtained for the Plan. Accordingly, information concerning net assets and covered payroll as a percentage of funded excess actuarial liability, as well as other related disclosures which are required by GAAP, are not presented as it involves actuarial information which is unavailable.

Basis of Accounting-

The Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period that the contributions are due. The Plan does not issue separate financial statements.

Method Used to Value Investments-

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

Fire Relief and Pension Plan and Police Relief and Pension Plan (the "Old Plans")

The Fire Relief and Pension Plan and the Police Relief and Pension Plan (the "Old Plans") are agent multi-employer defined benefit pension plans for employees of the Fire and Police Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with the Arkansas Local Police and Fire Retirement System (LOPFI) whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Plans' net pension obligation over a 40-year period. The Old Plans' benefit structure remains unchanged under the administration by LOPFI. The Old Plans do not issue separate stand-alone financial statements.

Pension Benefits-

Pension benefit provisions and all other requirements, including vesting, are established by state statute. Participants in the Old Plans became eligible for membership as of the first day of employment. Members of the Old Plans who retire with 20 years of credited service are entitled to a retirement benefit payable monthly for life equal to one-half of the participant's annual salary. Employees become vested after 20 years of service.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Contributions Required and Contributions Made-

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, and to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Plans. The contributions for the 1999 plan year were based upon the December 31, 1998, actuary report.

The actuarially required contribution rates as of December 31, 1999, 1998, and 1997, and amounts required by the City and active participants of the Old Plans for 1999, 1998, and 1997 were as follows:

	<u>Fire Plan</u>			<u>Police Plan</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Employer actuarially required contribution rates	31.65%	30.40%	30.57%	23.36%	22.80%	22.15%
Employer contributions as a percentage of annual covered payroll	31.65%	30.40%	30.57%	23.36%	22.80%	22.15%
Employer contributions to LOPFI	\$611,839	\$620,517	\$573,855	\$336,552	\$285,714	\$259,965
Annual pension cost (APC)	\$611,839	\$620,517	\$573,855	\$336,552	\$285,714	\$259,965
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$0	\$0	\$0	\$0	\$0	\$0

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 1999:

	<u>Old Fire Plan</u>	<u>Old Police Plan</u>
Valuation date	12/31/98	12/31/98
Cost method	Entry age	Entry age
Asset valuation method	Reported book value adjusted to partially recognize the difference between book value and market value	Reported book value adjusted to partially recognize the difference between book value and market value
Amortization method	Level percentage	Level percentage
Amortization period	30 years open	30 years open
Assumptions-		
Inflation rate	5.0%	5.0%
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0%	5.0%
Postretirement benefit increases	3.0%	3.0%

Arkansas Local Police and Fire Retirement System (the "New Plans")

Employees of the City's Fire and Police Department hired subsequent to December 31, 1982, are covered by the state-administered Arkansas Local Police and Fire Retirement System (the "New Plans"), an agent multiple-employer plan. The New Plans are defined benefit plans which were established by Arkansas statutes. The New Plans do not issue separate stand-alone financial statements.

Pension Benefits-

Participants who retire at or after age 55 with 20 years of credited service are entitled to retirement benefits payable annually for life equal to 2% of final average pay for each year of credited service. Benefits are fully vested after 10 years.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Contributions Required and Contributions Made-

State statutes require active participants of the New Plans to make contributions equivalent to 6% of their gross salary and their contributions are 100% vested. The City is also required by state statute to contribute the remaining amounts necessary to pay benefits when due, as determined by the New Plans' administrator, as well as fund the Old Plans' unfunded actuarial accrued liability over a 40-year period for the Fire Plan and a 30-year period for the Police Plan.

The actuarially computed contribution rates as of December 31, 1999, 1998, and 1997, and amounts required by the City and active participants of the New Plans for 1999, 1998, and 1997 were as follows:

	<u>Fire Plan</u>			<u>Police Plan</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Employer actuarially required contribution rates	31.65%	30.40%	30.57%	23.36%	22.80%	22.15%
Employer contributions as a percentage of annual covered payroll	31.65%	30.40%	30.57%	23.36%	22.80%	22.15%
Employer contributions to the New Plans	\$772,101	\$642,562	\$561,189	\$898,936	\$755,596	\$655,760
Annual pension cost	\$772,101	\$642,562	\$561,189	\$898,936	\$755,596	\$655,760
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$0	\$0	\$0	\$0	\$0	\$0

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 1999:

	<u>New Fire Plan</u>	<u>New Police Plan</u>
Valuation date	12/31/98	12/31/98
Cost method	Entry age	Entry age
Asset valuation method	Reported book value adjusted to partially recognize the difference between book value and market value	Reported book value adjusted to partially recognize the difference between book value and market value
Amortization method	Level percentage	Level percentage
Amortization period	30 years open	30 years open
Assumptions-		
Inflation rate	5.0%	5.0%
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0%	5.0%
Postretirement benefit increases	3.0%	3.0%

7. COMMITMENTS AND CONTINGENCIES:

Litigation

In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, and/or property damage resulting from accidents occurring in the City. In addition, the City has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the City's financial position. The City appropriates funds as necessary to meet settlements and awards.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Contingencies

The City has received federal and state financial awards in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of City management such disallowances, if any, will not be significant.

8. SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

Segment information for the year ended December 31, 1999, was as follows:

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
TOTAL OPERATING REVENUES	\$ 16,686,312	\$ 7,857,050	\$ 24,543,362
DEPRECIATION	\$ 4,970,278	\$ 2,338,216	\$ 7,308,494
OPERATING LOSS	\$ (190,308)	\$ (1,015,519)	\$ (1,205,827)
OPERATING TRANSFERS OUT, net	\$ 1,333,334	\$ 1,248,334	\$ 2,581,668
NET INCOME (LOSS)	\$ 3,030,405	\$ (122,813)	\$ 2,907,592
CURRENT CONTRIBUTED CAPITAL:			
In aid of construction	\$ 881,754	-	\$ 881,754
FIXED ASSETS:			
Additions	\$ 9,022,935	\$ 2,207,609	\$ 11,230,544
Deletions	\$ 2,205,784	\$ 600,287	\$ 2,806,071
TOTAL ASSETS	\$164,930,561	\$20,750,474	\$185,681,035
WORKING CAPITAL	\$ 37,791,935	\$ 4,788,221	\$ 42,580,156
NET INCREASE IN CASH AND RESTRICTED CASH	\$ 51,003	\$ 10,912	\$ 61,915
LONG-TERM REVENUE BONDS PAYABLE, net	\$ 45,295,400	\$ 9,096,638	\$ 54,392,038
TOTAL EQUITY	\$112,765,088	\$ 8,577,659	\$121,342,747

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

9. INDIVIDUAL FUND DISCLOSURES:

Interfund receivables and payables as of December 31, 1999, are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 187,348	\$ 2,081
Special Revenue Funds-		
Community Development	2,503	94,456
HOME Investment Partnership Act	2,078	7,627
Special Grants	-	77,355
Capital Projects Funds-		
1997 Sales and Use Tax Construction	-	10,853
Internal Service Funds-		
Working Capital	443	-
Enterprise Funds-		
Water and Sewer	<u>973,441</u>	<u>973,441</u>
Total	<u>\$1,165,813</u>	<u>\$1,165,813</u>

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

During 1996, the Board of Directors authorized an advance of \$2 million from the Water and Sewer Fund and \$2 million from the Sanitation Fund to the General Fund for the purpose of funding the police facility which was completed in April 1998. The advances were noninterest-bearing and the remaining payment schedule from the General Fund was to be as follows:

	<u>To Water and Sewer Fund</u>	<u>To Sanitation Fund</u>
1999	\$ 333,333	\$ 333,333
2000	333,333	333,333
2001	333,334	333,334
2002	<u>333,334</u>	<u>333,334</u>
Total	<u>\$1,333,334</u>	<u>\$1,333,334</u>

On December 7, 1999, the Board approved an ordinance whereby the remaining payments, including the 1999 payments, were rescinded and the obligation between the funds is considered forgiven. The forgiveness of the loan repayment has been reported as operating transfers in the respective funds. Although the legality of this ordinance has been challenged, City management and the City's legal counsel believe the City will prevail.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

Operating transfers in (out) for the year ended December 31, 1999, are as follows:

<u>Fund</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>(Out)</u>
<u>Primary Government</u>		
General Fund	\$ 3,806,035	\$ 195,000
Special Revenue Funds- Sales Tax	-	1,486,743
Capital Projects Funds- 1997 Sales and Use Tax Construction	356,223	-
Enterprise Funds- Water and Sewer Sanitation	6,824,132 1,787,610	8,157,466 3,035,944
<u>Component Unit</u>		
Governmental- Advertising and Promotion	-	8,847
Proprietary- Parking Authority	<u>110,000</u>	<u>-</u>
Total	<u>\$12,884,000</u>	<u>\$12,884,000</u>

10. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

In October 1991, the U.S. Environmental Protection Agency (EPA) issued rules and regulations which require the City to place a final cover on its Municipal Solid Waste Landfill (MSWLF) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for a period of 30 years following closure of the site.

In 1994, the City adopted Governmental Accounting Standards Board issued Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." This statement requires that the City recognize a portion of the closure and postclosure care costs referred to above as an operating expense in each fiscal year based on landfill capacity used as of each fiscal year-end, even though such costs will be paid only near or after the date that the landfill stops accepting waste.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

The \$1,694,287 reported as landfill closure and postclosure care liability at December 31, 1999, represents the amount calculated to date based on the use of the landfill, in accordance with the City's anticipated closure plan. At December 31, 1999, the percentage of landfill capacity used to date was approximately 19%. The landfill was opened October 9, 1993, and the City expects the landfill to close September 2013. The City will recognize the remaining estimated cost of closure and postclosure care of approximately \$5,600,000 as the remaining estimated capacity is filled. These amounts are based on engineering estimates of what it would cost to perform all closure and postclosure costs, based on the City's anticipated closure plan, through December 31, 1999. Actual costs may be significantly higher due to inflation, changes in technology, or changes in regulations, including the ultimate acceptance of the City's anticipated closure plan by the Arkansas Department of Environmental Quality.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The amount of financial assurance required by the state as of December 31, 1999, is \$3,363,643. In order to comply with this requirement, the City held an irrevocable standby letter of credit with City National Bank which is pledged to the Arkansas Department of Environmental Quality in the amount of \$3,401,643 at December 31, 1999.

11. TORNADO:

The City is continuing to recover from the April 21, 1996, tornado which caused significant damage to historic buildings, including the downtown area, industrial buildings, residential structures, and publicly owned structures. Various wastewater treatment plant buildings were severely damaged and portions of these buildings are being rebuilt. An engineering estimate of the cost to replace these buildings is approximately \$7.7 million. The City sustained minor damage to other facilities including fire stations, parks, and the cemetery. The City has received approximately \$1.0 million in insurance proceeds and \$2.0 million in Federal Emergency Management Agency (FEMA) reimbursements during 1998 and 1999 relating to the City's various wastewater treatment plant buildings. City management expects the remaining construction costs needed to rebuild these facilities to be funded by sales tax collections allocated to wastewater improvements and future FEMA reimbursements.

12. NEW APPLICABLE GASB STANDARDS:

In 1998, GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions," was issued. This statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources for state and local governments and becomes effective fiscal year 2001. The City has not adopted this statement nor determined the effects of adoption.

CITY OF FORT SMITH, ARKANSAS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

In 1999, GASB Statement 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," was issued. This statement establishes that the basic financial statements and required supplementary information for general purpose governments should consist of management's discussion and analysis, basic financial statements which include government-wide financial statements, fund financial statements, and required supplementary information. The government-wide financial statements will require the reporting of all capital assets, including infrastructure assets. This statement becomes effective fiscal year 2003. The City has not adopted this statement nor determined the effects of adoption.

In April 2000, GASB Statement 36, "Recipient Reporting for Certain Shared Nonexchange Revenues, an Amendment of GASB Statement 33," was issued. This statement will be implemented simultaneously with GASB Statement 33. The City has not adopted this statement nor determined the effects of adoption.

13. DEFICIT /RETAINED EARNINGS:

The City's Employee Insurance Fund had a retained earnings deficit of \$1,443,298 attributable to unusually high claim experience. The City plans to review its contribution levels as well as employee contribution levels and the City is planning to review cost containment measures as well as other options to reduce the level of claims.

CITY OF FORT SMITH, ARKANSAS

REQUIRED SUPPLEMENTARY INFORMATION

ANALYSIS OF FUNDING PROGRESS - PENSION PLANS

(Unaudited)

	(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial	Actuarial	Funded	Total Funded Excess	Annual Covered	Ratio of Funded
	Valuation	Value	Ratio	(Unfunded)	Payroll	Excess (Unfunded)
	Date	of	(1) / (2)	Actuarial Liability*		Actuarial Liability
		Plan Assets		(1) - (2)		to Annual
		Liability				Covered Payroll
						(4) / (5)
Fire Relief and Pension Plan:**						
1996	\$(4,007,264)	\$ 7,447,529	-	\$(11,454,793)***	\$1,877,185	(610)%
1997	\$(4,911,468)	\$ 5,635,933	-	\$(10,547,401)***	\$2,041,173	(517)%
1998	\$(4,315,440)	\$ 6,223,637	-	\$(10,539,077)***	\$1,933,141	(545)%
Police Relief and Pension Plan:**						
1996	\$(3,585,251)	\$ 5,390,583	-	\$ (8,975,834)***	\$1,173,658	(765)%
1997	\$(3,379,844)	\$ 6,556,512	-	\$ (9,936,356)***	\$1,253,131	(793)%
1998	\$(2,809,426)	\$ 7,769,707	-	\$(10,579,133)***	\$1,440,719	(734)%
LOPFI Active Fire:**						
1996	\$2,565,516	\$1,930,285	133%	\$ 635,231	\$1,835,750	35%
1997	\$3,299,777	\$2,344,167	141%	\$ 955,610	\$2,113,692	45%
1998	\$4,056,200	\$3,236,718	125%	\$ 819,482	\$2,439,499	34%
LOPFI Active Police:**						
1996	\$4,536,500	\$3,082,624	147%	\$1,453,876	\$2,960,543	49%
1997	\$5,417,729	\$3,567,406	152%	\$1,850,323	\$3,314,018	56%
1998	\$6,739,489	\$4,983,351	135%	\$1,756,138	\$3,848,184	46%

* Analysis of the dollar amount of actuarial value of Plan assets, actuarial accrued liability and total funded excess (unfunded) actuarial liability in isolation can be misleading. Expressing the actuarial value of Plan assets as a percentage of the actuarial accrued liability provides one indication of each plan's funding status on a going-concern basis. Generally, the greater this percentage, the stronger the plan. Expressing the total funded excess (unfunded) actuarial liability as a percentage of annual covered payroll for the Fire Relief and Pension Plan and Police Relief and Pension Plan approximately adjusts for the effects of inflation and aids analysis of these plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

** Actuarial information for 1999 for these plans is not currently available.

*** Arkansas LOPFI accounting procedures separate employer reserve assets into two parts: the assets sufficient to pay all future benefit payments to present retired persons and the Employer Accumulation Account, which contains the remainder of the employer reserve assets. As a result of this practice, the unfunded actuarial liability does not include obligations for retired persons, beneficiaries or terminated employees not receiving benefits. The negative amounts indicate that these plans do not yet have sufficient assets to cover its present retired persons.

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CITY OF FORT SMITH, ARKANSAS

SUMMARY OF SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

STREET MAINTENANCE - To account for operations related to the repair, maintenance, and improvement of City streets and rights-of-way. Revenues collected in the fund are restricted for these uses and are derived from State turnback for gasoline and one-half of the three mill county road tax.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) - To account for the operations of projects utilizing CDBG funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

SALES TAX - To account for projects utilizing City sales tax revenues. Such revenues are restricted for repair, maintenance and improvement of City streets, bridges, and associated drainage.

TILLES PARK - To account for donations received from the Tilles family estate. The money received is restricted for upgrading and maintaining Tilles Park.

ADMINISTRATIVE FACILITIES - To account for receipts from sale of property to be utilized for purchase or lease of facilities for administrative office space. This fund was closed during 1999.

HOME INVESTMENT PARTNERSHIP ACT - To account for federal funds administered by the Community Housing Development Organizations (CHDO) and other subrecipients to provide assistance for affordable housing.

SPECIAL GRANTS - To account for federal, state, and local grants received by the City. Current grants include: Economic Development Administration (EDA) for infrastructure projects, Federal Emergency Management Agency (FEMA) assistance, COPS grants, Department of Transportation planning grant, State of Arkansas recycling grants, Arkansas historic preservation grants, and a local grant from Sebastian County for drug law enforcement projects. These funds are restricted to expenditures for approved projects of the various agencies.

LOPFI CONTRIBUTION - To account for the funding of contributions made to the Police and Fire Relief and Pension Plans administered by LOPFI.

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
 (Continued on following page)

<u>ASSETS</u>	<u>Street Maintenance</u>	<u>Community Development Block Grant</u>	<u>Sales Tax</u>	<u>Tilles Park</u>
CASH	\$ 150	\$ 25,563	\$ -	\$ -
INVESTMENTS	4,911,371	-	18,891,806	2,099
RECEIVABLES, net of allowance for uncollectibles:				
Taxes	1,238,788	-	-	-
Sales taxes	-	-	1,221,671	-
Accounts	-	2,390	-	-
Accrued interest	23,117	-	80,537	9
DUE FROM OTHER FUNDS	-	2,503	-	-
DUE FROM OTHER GOVERNMENTS	-	81,409	-	-
PREPAID ITEMS	-	-	-	-
DEPOSITS	-	-	107,779	-
Total Assets	<u>\$6,173,426</u>	<u>\$111,865</u>	<u>\$20,301,793</u>	<u>\$2,108</u>
<u>LIABILITIES AND EQUITY</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 162,176	\$ 11,444	\$ 575,344	\$ -
Retainage payable	-	-	206,090	-
Due to other funds	-	94,456	-	-
Due to other governments	-	-	-	-
Deferred revenues	1,159,851	-	-	-
Other	-	5,323	-	-
Total Liabilities	<u>1,322,027</u>	<u>111,223</u>	<u>781,434</u>	<u>-</u>
EQUITY:				
Reserved for encumbrances	162,749	-	-	-
Reserved for prepaid items	-	-	-	-
Reserved for subsequent years' expenditures	-	-	19,520,359	-
Unreserved-				
Designated for subsequent years' expenditures	<u>4,688,650</u>	<u>642</u>	<u>-</u>	<u>2,108</u>
Total Equity	<u>4,851,399</u>	<u>642</u>	<u>19,520,359</u>	<u>2,108</u>
Total Liabilities and Equity	<u>\$6,173,426</u>	<u>\$111,865</u>	<u>\$20,301,793</u>	<u>\$2,108</u>

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
(Continued)

Administrative Facilities	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Totals	
				Year Ended	
				December 31, 1999	December 31, 1998
\$ -	\$129,309	\$ -	\$ -	\$ 155,022	\$ 97,019
-	-	558,551	8,551,950	32,915,777	26,961,165
-	-	-	1,651,713	2,890,501	2,585,150
-	-	-	-	1,221,671	1,114,430
-	-	2,388	21	4,799	58
-	-	10,671	37,780	152,114	114,636
-	2,078	-	-	4,581	1,264,818
-	-	161,631	-	243,040	216,383
-	-	-	-	-	-
-	-	-	-	107,779	195,551
<u>\$ -</u>	<u>\$131,387</u>	<u>\$733,241</u>	<u>\$10,241,464</u>	<u>\$37,695,284</u>	<u>\$32,549,210</u>
\$ -	\$ 1,202	\$108,585	\$ 336,352	\$ 1,195,103	\$ 1,300,793
-	-	-	-	206,090	207,326
-	7,627	77,355	-	179,438	1,326,234
-	-	-	-	-	1,276
-	122,558	434,024	1,546,468	3,262,901	3,599,951
-	-	-	-	5,323	6,323
-	<u>131,387</u>	<u>619,964</u>	<u>1,882,820</u>	<u>4,848,855</u>	<u>6,441,903</u>
-	-	-	-	162,749	126,146
-	-	-	-	-	-
-	-	113,277	-	19,633,636	16,478,812
-	-	-	8,358,644	13,050,044	9,502,349
-	-	113,277	8,358,644	32,846,429	26,107,307
<u>\$ -</u>	<u>\$131,387</u>	<u>\$733,241</u>	<u>\$10,241,464</u>	<u>\$37,695,284</u>	<u>\$32,549,210</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
(Continued on following page)

	<u>Street Maintenance</u>	<u>Community Development Block Grant</u>	<u>Sales Tax</u>	<u>Tilles Park</u>
REVENUES:				
Taxes	\$1,100,828	\$ -	\$ -	\$ -
Sales taxes	-	-	14,689,273	-
Intergovernmental	3,258,106	899,392	-	-
Fines and forfeitures	-	-	-	-
Interest	236,547	-	775,180	99
Contributions	-	-	-	400
Miscellaneous	<u>25,902</u>	<u>-</u>	<u>142</u>	<u>-</u>
Total Revenues	<u>4,621,383</u>	<u>899,392</u>	<u>15,464,595</u>	<u>499</u>
EXPENDITURES:				
Current-				
General government	583,615	-	-	-
Public safety	33,197	-	-	-
Public works	3,329,479	899,392	8,058,714	-
Community services	73,839	-	-	-
Other	2,998	-	31,123	-
Capital outlay	<u>327,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,350,226</u>	<u>899,392</u>	<u>8,089,837</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>271,157</u>	<u>-</u>	<u>7,374,758</u>	<u>499</u>
OTHER FINANCING USES:				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,486,743)</u>	<u>-</u>
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(1,486,743)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	271,157	-	5,888,015	499
RESIDUAL EQUITY TRANSFER OUT	-	-	-	-
FUND BALANCES, beginning of year	<u>4,580,242</u>	<u>642</u>	<u>13,632,344</u>	<u>1,609</u>
FUND BALANCES, end of year	<u>\$4,851,399</u>	<u>\$ 642</u>	<u>\$19,520,359</u>	<u>\$2,108</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
(Continued)

Administrative Facilities	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Totals	
				Year Ended	
				December 31, 1999	December 31, 1998
\$ -	\$ -	\$ -	\$1,467,641	\$ 2,568,469	\$ 2,482,000
-	-	-	-	14,689,273	13,936,617
-	302,031	3,173,519	994,661	8,627,709	7,268,812
-	-	-	122,734	122,734	122,049
10,960	-	99,353	370,871	1,493,010	1,213,710
-	-	-	738,432	738,432	695,080
-	-	7,209	2,385	36,038	728,567
<u>10,960</u>	<u>302,031</u>	<u>3,280,081</u>	<u>3,696,724</u>	<u>28,275,665</u>	<u>26,446,835</u>
-	-	-	-	583,615	504,423
-	-	314,770	2,870,646	3,218,613	2,994,372
-	302,031	2,591,012	-	15,180,628	15,406,557
-	-	16,983	-	90,822	96,691
-	-	3,763	2,000	39,884	60,488
-	-	261,744	-	588,842	291,770
<u>-</u>	<u>302,031</u>	<u>3,188,272</u>	<u>2,872,646</u>	<u>19,702,404</u>	<u>19,354,301</u>
<u>10,960</u>	<u>-</u>	<u>91,809</u>	<u>824,078</u>	<u>8,573,261</u>	<u>7,092,534</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,486,743)</u>	<u>(1,481,890)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,486,743)</u>	<u>(1,481,890)</u>
10,960	-	91,809	824,078	7,086,518	5,610,644
(347,396)	-	-	-	(347,396)	-
<u>336,436</u>	<u>-</u>	<u>21,468</u>	<u>7,534,566</u>	<u>26,107,307</u>	<u>20,496,663</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,277</u>	<u>\$8,358,644</u>	<u>\$32,846,429</u>	<u>\$26,107,307</u>

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CITY OF FORT SMITH, ARKANSAS

SUMMARY OF CAPITAL PROJECTS FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

SIDEWALK CONSTRUCTION - To account for resources utilized to construct sidewalks within the City limits. Revenues collected for sidewalk construction include contributions from the community and permit assessments on new construction. Projects are selected by the City Board of Directors. The fund is perpetual.

1997 SALES AND USE TAX CONSTRUCTION – To account for the construction of the civic center, public library, and riverfront park projects approved by the 1997 sales and use tax referendum approved in October 1997. Bond proceeds from the 1997 issue of sales and use tax bonds fund the three projects.

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
(Continued on following page)

<u>ASSETS</u>	<u>Sidewalk Construction</u>	<u>1997 Sales and Use Tax Construction</u>
INVESTMENTS	\$472,034	\$37,349,101
RECEIVABLES:		
Accounts	-	23,104
Accrued interest	1,868	140,903
DUE FROM COMPONENT UNIT	-	-
DEPOSITS	<u>-</u>	<u>328,974</u>
Total Assets	<u>\$473,902</u>	<u>\$37,842,082</u>
<u>LIABILITIES AND EQUITY</u>		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 21,928	\$ 2,488,107
Retainage payable	2,425	696,366
Due to other funds	-	10,853
Other long-term obligations	<u>-</u>	<u>613,458</u>
Total Liabilities	<u>24,353</u>	<u>3,808,784</u>
EQUITY:		
Unreserved-		
Designated for subsequent years' expenditures	<u>449,549</u>	<u>34,033,298</u>
Total Equity	<u>449,549</u>	<u>34,033,298</u>
Total Liabilities and Equity	<u>\$473,902</u>	<u>\$37,842,082</u>

COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS
(Continued)

Totals	
Year Ended	
December 31, 1999	December 31, 1998
\$37,821,135	\$42,439,988
23,104	95,591
142,771	394,861
-	589,504
<u>328,974</u>	<u>365,025</u>
<u>\$38,315,984</u>	<u>\$43,884,969</u>
\$ 2,510,035	\$ 293,457
698,791	47,973
10,853	-
<u>613,458</u>	<u>-</u>
<u>3,833,137</u>	<u>341,430</u>
<u>34,482,847</u>	<u>43,543,539</u>
<u>34,482,847</u>	<u>43,543,539</u>
<u>\$38,315,984</u>	<u>\$43,884,969</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
(Continued on following page)

	<u>Sidewalk Construction</u>	<u>1997 Sales and Use Tax Construction</u>
REVENUES:		
Intergovernmental	\$ -	\$4,749,998
Licenses and permits	186,850	-
Interest	19,149	1,523,377
Increase (decrease) in fair value of investments	-	(392,617)
Contributions	-	276,420
Other	<u>-</u>	<u>11,681</u>
Total Revenues	<u>205,999</u>	<u>6,168,859</u>
EXPENDITURES:		
Current-		
Public works	154,782	11,270
Capital outlay	<u>-</u>	<u>15,625,721</u>
Total Expenditures	<u>154,782</u>	<u>15,636,991</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>51,217</u>	<u>(9,468,132)</u>
OTHER FINANCING SOURCES:		
Operating transfers in	<u>-</u>	<u>356,223</u>
Total other financing sources	<u>-</u>	<u>356,223</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	51,217	(9,111,909)
FUND BALANCES, beginning of year	<u>398,332</u>	<u>43,145,207</u>
FUND BALANCES, end of year	<u>\$449,549</u>	<u>\$34,033,298</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL CAPITAL PROJECTS FUNDS

(Continued)

Totals	
Year Ended	
December 31, 1999	December 31, 1998
\$ 4,749,998	\$ 4,750,002
186,850	145,085
1,542,526	2,187,923
(392,617)	474,710
276,420	-
11,681	-
<u>6,374,858</u>	<u>7,557,720</u>
166,052	45,879
<u>15,625,721</u>	<u>8,059,302</u>
<u>15,791,773</u>	<u>8,105,181</u>
<u>(9,416,915)</u>	<u>(547,461)</u>
<u>356,223</u>	<u>1,376,504</u>
<u>356,223</u>	<u>1,376,504</u>
(9,060,692)	829,043
<u>43,543,539</u>	<u>42,714,496</u>
<u>\$34,482,847</u>	<u>\$43,543,539</u>

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CITY OF FORT SMITH, ARKANSAS

SUMMARY OF ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

WATER AND SEWER - To account for the provision of water and sewer services to residential, commercial, and industrial customers of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service.

SANITATION - To account for the provision of sanitation services to residential, commercial, and industrial customers of the City. Sanitary landfill services are also accounted for in this fund. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service.

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998

<u>ASSETS</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>December 31, 1999</u>	<u>December 31, 1998</u>
CASH	\$ 28,736	\$ 1,100	\$ 29,836	\$ 1,675
INVESTMENTS	2,605,414	2,073,015	4,678,429	4,010,107
RECEIVABLES, net of allowance for uncollectibles:				
Sales taxes	325,567	69,060	394,627	374,149
Accounts	1,689,277	718,166	2,407,443	1,723,178
Accrued interest	11,767	9,186	20,953	18,014
DUE FROM OTHER FUNDS	-	-	-	43,813
INTERFUND RECEIVABLES	-	-	-	666,666
INVENTORY	451,848	-	451,848	610,642
PREPAID ITEMS	-	-	-	28,791
ADVANCES TO OTHER FUNDS	-	-	-	2,000,002
RESTRICTED ASSETS:				
Cash	40,222	10,912	51,134	17,380
Investments	37,326,573	4,953,741	42,280,314	16,694,575
Accounts receivable, net of allowances for uncollectibles	-	7,792	7,792	16,413
Interest receivable	198,046	21,426	219,472	66,977
Due from other funds	973,441	-	973,441	899,962
Prepaid items and deposits	977	-	977	3,923
FIXED ASSETS, net of accumulated depreciation	120,825,103	12,810,635	133,635,738	131,698,918
DEFERRED CHARGES	<u>453,590</u>	<u>75,441</u>	<u>529,031</u>	<u>318,907</u>
Total Assets	<u>\$164,930,561</u>	<u>\$20,750,474</u>	<u>\$185,681,035</u>	<u>\$159,194,092</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998

<u>LIABILITIES AND EQUITY</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>December 31, 1999</u>	<u>December 31, 1998</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 507,439	\$ 516,591	\$ 1,024,030	\$ 955,202
Liability for accrued vacation and sick leave	595,211	168,051	763,262	757,721
Liability for landfill closure and postclosure care	-	1,694,287	1,694,287	1,328,533
Payable from restricted assets-				
Accrued interest	646,040	44,245	690,285	368,020
Revenue bonds payable, current	2,055,000	635,000	2,690,000	1,780,000
Accounts payable and accrued liabilities	994,550	18,003	1,012,553	1,038,515
Due to other funds	-	-	-	43,813
Deposits	817,385	-	817,385	784,640
Retainage payable	257,987	-	257,987	104,742
Due to other funds	973,441	-	973,441	899,962
Revenue bonds payable, net	45,295,400	9,096,638	54,392,038	30,981,384
Other	<u>23,020</u>	<u>-</u>	<u>23,020</u>	<u>16,491</u>
 Total Liabilities	 <u>52,165,473</u>	 <u>12,172,815</u>	 <u>64,338,288</u>	 <u>39,059,023</u>
 EQUITY:				
Contributed capital-				
From other municipalities or governmental units	12,244,504	29,518	12,274,022	12,274,022
In aid of construction	32,703,047	-	32,703,047	31,821,293
Retained earnings-				
Reserved for bond retirement	4,648,103	777,264	5,425,367	3,245,904
Reserved for landfill closure and postclosure care	-	2,687,236	2,687,236	2,444,400
Reserved for asset replacement	500,000	83,164	583,164	568,257
Reserved for construction	-	253,605	253,605	138,955
Unreserved	<u>62,669,434</u>	<u>4,746,872</u>	<u>67,416,306</u>	<u>69,642,238</u>
 Total Equity	 <u>112,765,088</u>	 <u>8,577,659</u>	 <u>121,342,747</u>	 <u>120,135,069</u>
 Total Liabilities and Equity	 <u>\$164,930,561</u>	 <u>\$20,750,474</u>	 <u>\$185,681,035</u>	 <u>\$159,194,092</u>

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CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

	Water and Sewer	Sanitation	Totals	
			December 31, 1999	December 31, 1998
OPERATING REVENUES:				
Water service	\$ 9,240,470	\$ -	\$ 9,240,470	\$ 7,409,167
Sewer service	6,870,186	-	6,870,186	6,019,492
Charges for services	541,958	7,857,050	8,399,008	7,541,792
Other	<u>33,698</u>	<u>-</u>	<u>33,698</u>	<u>34,812</u>
Total Operating Revenues	<u>16,686,312</u>	<u>7,857,050</u>	<u>24,543,362</u>	<u>21,005,263</u>
OPERATING EXPENSES:				
Personnel services	7,235,791	3,704,900	10,940,691	10,302,252
Contractual services	981,388	1,303,630	2,285,018	2,631,588
Materials and supplies	2,821,532	1,506,393	4,327,925	3,393,771
Heat, light, and power	867,631	19,430	887,061	818,630
Depreciation	<u>4,970,278</u>	<u>2,338,216</u>	<u>7,308,494</u>	<u>5,319,422</u>
Total Operating Expenses	<u>16,876,620</u>	<u>8,872,569</u>	<u>25,749,189</u>	<u>22,465,663</u>
OPERATING LOSS	<u>(190,308)</u>	<u>(1,015,519)</u>	<u>(1,205,827)</u>	<u>(1,460,400)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	980,183	363,265	1,343,448	1,075,166
Increase (decrease) in fair value of investments	(12,913)	(18,091)	(31,004)	5,018
Interest expense and fiscal charges	(1,610,697)	(555,378)	(2,166,075)	(1,942,628)
Other nonoperating revenues	<u>3,864,140</u>	<u>1,102,910</u>	<u>4,967,050</u>	<u>4,854,926</u>
Total Nonoperating Revenues	<u>3,220,713</u>	<u>892,706</u>	<u>4,113,419</u>	<u>3,992,482</u>
Income (Loss) Before Operating Transfers	3,030,405	(122,813)	2,907,592	2,532,082
OPERATING TRANSFERS IN	6,824,132	1,787,610	8,611,742	9,448,477
OPERATING TRANSFERS OUT	<u>(8,157,466)</u>	<u>(3,035,944)</u>	<u>(11,193,410)</u>	<u>(9,363,477)</u>
Net Income (Loss)	1,697,071	(1,371,147)	325,924	2,617,082
RETAINED EARNINGS, beginning of year	<u>66,120,466</u>	<u>9,919,288</u>	<u>76,039,754</u>	<u>73,422,672</u>
RETAINED EARNINGS, end of year	<u>\$67,817,537</u>	<u>\$8,548,141</u>	<u>\$76,365,678</u>	<u>\$76,039,754</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
(Continued on following page)

	Water and Sewer	Sanitation	Totals	
			December 31, 1999	December 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$13,219,957	\$ 7,686,993	\$20,906,950	\$19,987,377
Cash Payments for Goods and Services	(3,981,758)	(2,720,191)	(6,701,949)	(5,828,759)
Cash Payments to Employees	(6,873,065)	(3,687,492)	(10,560,557)	(10,289,840)
Cash Received from Other Operating Revenues	<u>7,630,923</u>	<u>2,447,659</u>	<u>10,078,582</u>	<u>6,317,722</u>
Net Cash Provided by (Used for) Operating Activities	<u>9,996,057</u>	<u>3,726,969</u>	<u>13,723,026</u>	<u>10,186,500</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers-in from Other Funds	6,824,132	1,787,610	8,611,742	9,448,477
Operating Transfers-out to Other Funds	<u>(8,157,466)</u>	<u>(3,035,944)</u>	<u>(11,193,410)</u>	<u>(9,363,477)</u>
Net Cash Provided by Noncapital Financing Activities	<u>(1,333,334)</u>	<u>(1,248,334)</u>	<u>(2,581,668)</u>	<u>85,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Bonds	25,720,326	-	25,720,326	-
Proceeds from Sale of Fixed Assets	62,050	62,746	124,796	58,646
Proceeds from Insurance and FEMA Settlement	1,985,229	-	1,985,229	634,735
Acquisition and Construction of Capital Assets	(7,700,090)	(2,278,719)	(9,978,809)	(10,081,232)
Principal Paid on Revenue Bonds	(1,170,000)	(610,000)	(1,780,000)	(1,575,000)
Interest Paid on Revenue Bonds	<u>(1,502,947)</u>	<u>(550,987)</u>	<u>(2,053,934)</u>	<u>(2,273,302)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>17,394,568</u>	<u>(3,376,960)</u>	<u>14,017,608</u>	<u>(13,236,153)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from Sales and Maturities of Investment Securities	35,289,647	2,674,432	37,964,079	13,057,891
Outlays for Purchases of Investment Securities	(62,106,772)	(2,111,368)	(64,218,140)	(11,567,644)
Interest on Investments	<u>810,837</u>	<u>346,173</u>	<u>1,157,010</u>	<u>1,099,279</u>
Net Cash Provided by (Used for) Investing Activities	<u>(26,006,288)</u>	<u>909,237</u>	<u>(25,097,051)</u>	<u>2,589,526</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	51,003	10,912	61,915	(375,127)
CASH AND RESTRICTED CASH, January 1	<u>17,955</u>	<u>1,100</u>	<u>19,055</u>	<u>394,182</u>
CASH AND RESTRICTED CASH, December 31	<u>\$ 68,958</u>	<u>\$ 12,012</u>	<u>\$ 80,970</u>	<u>\$ 19,055</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
INCREASE (DECREASE) IN CASH AND RESTRICTED CASH
(Continued)

	Water and Sewer	Sanitation	Totals	
			December 31, 1999	December 31, 1998
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Loss	\$ (190,308)	\$ (1,015,519)	\$ (1,205,827)	\$ (1,460,400)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities-				
Depreciation	4,970,278	2,338,216	7,308,494	5,319,422
Miscellaneous Revenue	4,143,622	1,078,960	5,222,582	5,549,568
Change in Assets and Liabilities-				
Accounts Receivable	(505,587)	(170,057)	(675,644)	(67,638)
Sales Tax Receivable	(38,429)	17,951	(20,478)	3,258
Due From Other Funds	(73,479)	-	(73,479)	(943,775)
Inventory	158,794	-	158,794	(101,413)
Prepaid Items	2,946	28,791	31,737	141,314
Advances to Other Funds	1,333,334	1,333,334	2,666,668	666,666
Accounts Payable and Accrued Liabilities	75,487	116,398	191,885	162,545
Deposits	32,745	-	32,745	28,339
Liability for Accrued Vacation and Sick Leave	6,646	(1,105)	5,541	(12,115)
Due To Other Funds	73,479	-	73,479	899,962
Other Liabilities	6,529	-	6,529	767
Total Adjustments	<u>10,186,365</u>	<u>4,742,488</u>	<u>14,928,853</u>	<u>11,646,900</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 9,996,057</u>	<u>\$ 3,726,969</u>	<u>\$13,723,026</u>	<u>\$10,186,500</u>

NONCASH INVESTING, CAPITAL, AND FINANCING
ACTIVITIES:

Enterprise Funds-

Water and Sewer Fund received contributions of capital assets of \$881,754 and \$854,295 for 1999 and 1998, respectively, and recognized a \$12,913 decrease in fair value of investments in 1999.

Sanitation Fund recognized an \$18,091 decrease in fair value of investments in 1999 and a \$5,018 increase in fair value of investments in 1998 and recognized \$20,000 trade in value in the acquisition of landfill equipment during 1998. The 1998 advance refunding of solid waste revenue bonds results in a cash flow difference of \$36,713 for 1999 and \$227,560 for 1998.

CITY OF FORT SMITH, ARKANSAS

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER AND SEWER OPERATING AND SANITATION OPERATING FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999**

(Continued on following page)

	Water and Sewer Operating				
	Actual	Adjustments to Budgetary Basis	Actual On a Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
OPERATING REVENUES:					
Water service	\$ 9,240,470	\$ -	\$ 9,240,470	\$ 9,040,250	\$ 200,220
Sewer service	6,870,186	-	6,870,186	6,402,930	467,256
Charges for services	541,958	-	541,958	428,000	113,958
Other	<u>33,698</u>	<u>-</u>	<u>33,698</u>	<u>35,000</u>	<u>(1,302)</u>
Total Operating Revenues	<u>16,686,312</u>	<u>-</u>	<u>16,686,312</u>	<u>15,906,180</u>	<u>780,132</u>
OPERATING EXPENSES:					
Personnel services	7,235,791	4,450	7,240,241	7,721,132	480,891
Contractual services	981,388	142,027	1,123,415	1,252,366	128,951
Materials and supplies	2,821,532	104,816	2,926,348	2,951,555	25,207
Heat, light, and power	867,631	-	867,631	900,579	32,948
Depreciation	<u>4,970,278</u>	<u>(4,970,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>16,876,620</u>	<u>(4,718,985)</u>	<u>12,157,635</u>	<u>12,825,632</u>	<u>667,997</u>
OPERATING INCOME (LOSS)	<u>(190,308)</u>	<u>4,718,985</u>	<u>4,528,677</u>	<u>3,080,548</u>	<u>1,448,129</u>
NONOPERATING REVENUES:					
Interest revenue	160,833	-	160,833	205,000	(44,167)
Other nonoperating revenues	<u>4,015,171</u>	<u>-</u>	<u>4,015,171</u>	<u>3,887,623</u>	<u>127,548</u>
Total Nonoperating Revenues	<u>4,176,004</u>	<u>-</u>	<u>4,176,004</u>	<u>4,092,623</u>	<u>83,381</u>
Income Before Operating Transfers	3,985,696	4,718,985	8,704,681	7,173,171	1,531,510
OPERATING TRANSFERS OUT	<u>(8,157,466)</u>	<u>-</u>	<u>(8,157,466)</u>	<u>(8,157,466)</u>	<u>-</u>
Net Income (Loss)	<u>(4,171,770)</u>	<u>4,718,985</u>	<u>547,215</u>	<u>(984,295)</u>	<u>1,531,510</u>
RETAINED EARNINGS, beginning of year	<u>6,420,514</u>	<u>-</u>	<u>6,420,514</u>	<u>6,420,514</u>	<u>-</u>
RETAINED EARNINGS, end of year	<u>\$ 2,248,744</u>	<u>\$4,718,985</u>	<u>\$ 6,967,729</u>	<u>\$ 5,436,219</u>	<u>\$1,531,510</u>

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER AND SEWER OPERATING AND SANITATION OPERATING FUNDS
(Continued)

Sanitation Operating				
<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual On a Budgetary Basis</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
7,857,050	-	7,857,050	6,807,695	1,049,355
-	-	-	-	-
<u>7,857,050</u>	<u>-</u>	<u>7,857,050</u>	<u>6,807,695</u>	<u>1,049,355</u>
3,672,933	1,948	3,674,881	3,670,579	(4,302)
1,235,466	40,625	1,276,091	1,304,073	27,982
1,135,270	47,636	1,182,906	1,228,957	46,051
19,430	-	19,430	22,077	2,647
<u>2,338,216</u>	<u>(2,338,216)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,401,315</u>	<u>(2,248,007)</u>	<u>6,153,308</u>	<u>6,225,686</u>	<u>72,378</u>
<u>(544,265)</u>	<u>2,248,007</u>	<u>1,703,742</u>	<u>582,009</u>	<u>1,121,733</u>
106,594	-	106,594	85,000	21,594
<u>946,866</u>	<u>-</u>	<u>946,866</u>	<u>822,310</u>	<u>124,556</u>
<u>1,053,460</u>	<u>-</u>	<u>1,053,460</u>	<u>907,310</u>	<u>146,150</u>
509,195	2,248,007	2,757,202	1,489,319	1,267,883
<u>(3,035,944)</u>	<u>-</u>	<u>(3,035,944)</u>	<u>(3,035,944)</u>	<u>-</u>
(2,526,749)	2,248,007	(278,742)	(1,546,625)	1,267,883
<u>9,549,049</u>	<u>-</u>	<u>9,549,049</u>	<u>9,549,049</u>	<u>-</u>
<u>\$7,022,300</u>	<u>\$2,248,007</u>	<u>\$9,270,307</u>	<u>\$8,002,424</u>	<u>\$1,267,883</u>

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CITY OF FORT SMITH, ARKANSAS

SUMMARY OF INTERNAL SERVICE FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

WORKING CAPITAL - To account for the accumulation and allocation of costs associated with vehicle maintenance, warehouse, and office supplies.

EMPLOYEE INSURANCE - To account for monthly premiums contributed by the City and its employees for health insurance coverage and to provide for payment of life insurance premiums. The plan is self-insured with Blue Cross-Blue Shield of Arkansas acting as paying agent for claims. Premiums are accumulated in this fund for the payment of employee insurance claims.

WORKERS' COMPENSATION - To account for amounts contributed for workers' compensation. Workers' compensation contributions are accumulated in this fund for the payment of workers' compensation claims.

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL INTERNAL SERVICE FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998

<u>ASSETS</u>	<u>Working Capital</u>	<u>Employee Insurance</u>	<u>Workers' Compensation</u>	<u>Totals</u>	
				<u>December 31,</u>	
				<u>1999</u>	<u>1998</u>
CASH	\$ 2,219	\$ 131,261	\$ 32,335	\$ 165,815	\$ 74,644
INVESTMENTS	-	1,065,869	1,708,530	2,774,399	3,543,415
RECEIVABLES, net of allowance for uncollectibles:					
Accounts	-	34,063	-	34,063	3,123
Accrued interest	-	4,942	7,632	12,574	14,576
INVENTORY, at cost	30,426	-	-	30,426	33,850
DUE FROM OTHER FUNDS	443	-	-	443	448
PREPAID ITEMS	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>	<u>92,927</u>
Total Assets	<u>\$ 33,088</u>	<u>\$1,236,149</u>	<u>\$1,748,497</u>	<u>\$3,017,734</u>	<u>\$3,762,983</u>
 <u>LIABILITIES AND EQUITY</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 14,105	\$ 109,994	\$ 10,857	\$ 134,956	\$ 98,656
Liability for insured events	<u>-</u>	<u>874,333</u>	<u>414,485</u>	<u>1,288,818</u>	<u>1,167,668</u>
Total Liabilities	<u>14,105</u>	<u>984,327</u>	<u>425,342</u>	<u>1,423,774</u>	<u>1,266,324</u>
EQUITY:					
Contributed capital	2,375	1,695,120	-	1,697,495	1,697,495
Retained earnings-					
Reserved for health insurance and					
workers' compensation	-	(1,443,298)	1,323,155	(120,143)	761,636
Unreserved	<u>16,608</u>	<u>-</u>	<u>-</u>	<u>16,608</u>	<u>37,528</u>
Total Equity	<u>18,983</u>	<u>251,822</u>	<u>1,323,155</u>	<u>1,593,960</u>	<u>2,496,659</u>
Total Liabilities and Equity	<u>\$ 33,088</u>	<u>\$1,236,149</u>	<u>\$1,748,497</u>	<u>\$3,017,734</u>	<u>\$3,762,983</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
ALL INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

	Working Capital	Employee Insurance	Workers' Compensation	Totals December 31,	
				1999	1998
OPERATING REVENUES:					
Charges for services	\$250,111	\$ -	\$ -	\$ 250,111	\$ 299,321
Contributions	-	3,102,803	275,561	3,378,364	3,186,878
Total Operating Revenues	<u>250,111</u>	<u>3,102,803</u>	<u>275,561</u>	<u>3,628,475</u>	<u>3,486,199</u>
OPERATING EXPENSES:					
Contractual services	-	265,840	57,276	323,116	417,582
Materials and supplies	271,031	-	-	271,031	300,629
Premium payments	-	180,565	-	180,565	139,061
Claims for insured events	-	3,570,784	354,295	3,925,079	3,913,594
Total Operating Expenses	<u>271,031</u>	<u>4,017,189</u>	<u>411,571</u>	<u>4,699,791</u>	<u>4,770,866</u>
OPERATING LOSS	<u>(20,920)</u>	<u>(914,386)</u>	<u>(136,010)</u>	<u>(1,071,316)</u>	<u>(1,284,667)</u>
NONOPERATING REVENUES:					
Interest revenue	-	80,403	88,214	168,617	210,694
Other nonoperating revenue	-	-	-	-	2,103
Total Nonoperating Revenues	<u>-</u>	<u>80,403</u>	<u>88,214</u>	<u>168,617</u>	<u>212,797</u>
NET LOSS	<u>(20,920)</u>	<u>(833,983)</u>	<u>(47,796)</u>	<u>(902,699)</u>	<u>(1,071,870)</u>
RETAINED EARNINGS, beginning of year	<u>37,528</u>	<u>(609,315)</u>	<u>1,370,951</u>	<u>799,164</u>	<u>1,871,034</u>
RETAINED EARNINGS, end of year	<u>\$ 16,608</u>	<u>\$(1,443,298)</u>	<u>\$1,323,155</u>	<u>\$ (103,535)</u>	<u>\$ 799,164</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS -
ALL INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

	Working Capital	Employee Insurance	Workers' Compensation	Totals December 31,	
				1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Service Users	\$250,116	\$ -	\$ -	\$ 250,116	\$ 298,993
Cash Received from City and Employee Contributions	-	3,071,863	275,561	3,347,424	4,883,223
Cash Payments for Goods and Services	(268,176)	(265,840)	(57,276)	(591,292)	(720,698)
Cash Payments for Premiums and Other Operating Expenses	-	(50,783)	-	(50,783)	(139,061)
Cash Payments for Claims Paid	-	(3,570,784)	(233,145)	(3,803,929)	(3,700,943)
Net Cash Provided by (Used for) Operating Activities	(18,060)	(815,544)	(14,860)	(848,464)	621,514
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from Sales and Maturities of Investment Securities	-	944,494	298,923	1,243,417	1,834,819
Outlays for Purchases of Investment Securities	-	(109,337)	(365,064)	(474,401)	(2,656,640)
Interest on Investments	-	83,110	87,509	170,619	208,242
Net Cash Provided by (Used for) Investing Activities	-	918,267	21,368	939,635	(613,579)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(18,060)	102,723	6,508	91,171	7,935
CASH AND RESTRICTED CASH, January 1	20,279	28,538	25,827	74,644	66,709
CASH AND RESTRICTED CASH, December 31	\$ 2,219	\$ 131,261	\$ 32,335	\$ 165,815	\$ 74,644

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS -
ALL INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

	Working Capital	Employee Insurance	Workers' Compensation	Totals December 31,	
				1999	1998
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating Loss	\$(20,920)	\$(914,386)	\$(136,010)	\$(1,071,316)	\$(1,284,667)
Adjustments to Reconcile Operating Loss to Net Cash Provided By (Used for)					
Operating Activities-					
Miscellaneous revenue	-	-	-	-	2,103
Change in Assets and Liabilities-					
Accounts Receivable	-	(30,940)	-	(30,940)	(758)
Due from Other Funds	5	-	-	5	1,694,672
Inventory	3,424	-	-	3,424	(7,167)
Prepaid Items	-	92,913	-	92,913	(91,835)
Accounts Payable and Accrued Liabilities	(569)	36,869	-	36,300	(190,572)
Liability for Insured Events	-	-	121,150	121,150	499,738
Total Adjustments	<u>2,860</u>	<u>98,842</u>	<u>121,150</u>	<u>222,852</u>	<u>1,906,181</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$(18,060)</u>	<u>\$(815,544)</u>	<u>\$ (14,860)</u>	<u>\$ (848,464)</u>	<u>\$ 621,514</u>

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CITY OF FORT SMITH, ARKANSAS

SUMMARY OF FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

PENSION TRUST FUNDS:

Municipal Court Retirement - To account for assets held by the City in a trustee capacity for active and retired judges and court clerks of the City's Municipal Court Department. The fund is a defined benefit plan instituted by the Arkansas State Legislature.

AGENCY FUND:

Payroll - To account for the collection and payment of the City's payroll and associated liabilities.

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL FIDUCIARY FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
(Continued on following page)

<u>ASSETS</u>	<u>Pension</u> <u>Trust Fund</u> <u>Municipal</u> <u>Court</u> <u>Retirement</u>	<u>Agency</u> <u>Fund</u> <u>Payroll</u>	<u>Totals</u>	
			<u>December 31,</u> <u>1999</u>	<u>December 31,</u> <u>1998</u>
CASH	\$ -	\$ 31	\$ 31	\$ -
INVESTMENTS	793,013	-	793,013	748,843
RECEIVABLES, net of allowances for uncollectibles:				
Accounts	7	-	7	1,322
Accrued interest	<u>3,450</u>	<u>-</u>	<u>3,450</u>	<u>3,078</u>
Total Assets	<u>\$796,470</u>	<u>\$ 31</u>	<u>\$796,501</u>	<u>\$753,243</u>
<u>LIABILITIES AND EQUITY</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 31</u>	<u>\$ 1,303</u>
Total Liabilities	<u>-</u>	<u>31</u>	<u>31</u>	<u>1,303</u>
EQUITY:				
Reserved for pension trust funds	<u>796,470</u>	<u>-</u>	<u>796,470</u>	<u>751,940</u>
Total Equity	<u>796,470</u>	<u>-</u>	<u>796,470</u>	<u>751,940</u>
Total Liabilities and Equity	<u>\$796,470</u>	<u>\$ 31</u>	<u>\$796,501</u>	<u>\$753,243</u>

CITY OF FORT SMITH, ARKANSAS

STATEMENT OF CHANGES IN PLAN NET ASSETS
ALL PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	<u>1999</u>	<u>1998</u>
ADDITIONS:		
Court fines and fees	\$ 16,167	\$ 16,350
Investment earnings	<u>37,782</u>	<u>36,888</u>
Total additions	<u>53,949</u>	<u>53,238</u>
DEDUCTIONS:		
Benefit payments	<u>9,419</u>	<u>12,855</u>
Total deductions	<u>9,419</u>	<u>12,855</u>
INCREASE IN NET ASSETS	44,530	40,383
NET ASSETS, beginning of year	<u>751,940</u>	<u>711,557</u>
NET ASSETS, end of year	<u>\$796,470</u>	<u>\$751,940</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - PAYROLL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	<u>Payroll</u>
CASH BALANCE, January 1	\$ -
Additions	22,734,717
Deductions	<u>(22,734,686)</u>
CASH BALANCE, December 31	<u>31</u>
ACCOUNTS RECEIVABLE BALANCE, January 1	1,303
Additions	21,309,295
Deductions	<u>(21,310,598)</u>
ACCOUNTS RECEIVABLE BALANCE, December 31	<u>-</u>
Total Assets	<u>\$ 31</u>
<u>LIABILITIES</u>	
ACCOUNTS PAYABLE BALANCE, January 1	\$ 1,303
Additions	3,282,291
Deductions	<u>(3,283,563)</u>
ACCOUNTS PAYABLE BALANCE, December 31	<u>31</u>
Total Liabilities	<u>\$ 31</u>

CITY OF FORT SMITH, ARKANSAS

SUMMARY OF GENERAL FIXED ASSETS ACCOUNT GROUP

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

GENERAL FIXED ASSETS ACCOUNT GROUP - A self-balancing group of accounts established to account for fixed assets of the City not accounted for through proprietary funds or trust funds.

CITY OF FORT SMITH, ARKANSAS

SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
DECEMBER 31, 1999

GENERAL FIXED ASSETS:

Land	\$ 8,829,473
Buildings	13,341,649
Improvements other than buildings	5,114,610
Machinery and equipment	12,479,511
Construction in progress	<u>18,164,212</u>

Total General Fixed Assets	<u>\$57,929,455</u>
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INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE:

Bond issues	\$30,218,766
Current revenues-	
General fund	17,696,528
Special revenue funds	8,806,116
Contributions	<u>1,208,045</u>

Total Investment in General Fixed Assets	<u>\$57,929,455</u>
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CITY OF FORT SMITH, ARKANSAS

SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
DECEMBER 31, 1999

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
GENERAL GOVERNMENT:						
Administration	\$ -	\$ 26,610	\$ 27,758	\$ 758,395	\$ -	\$ 812,763
Legal	-	-	24,005	246,404	-	270,409
Finance	-	51,913	50,727	382,947	-	485,587
PUBLIC SAFETY:						
Police	1,150,000	5,273,015	77,402	2,868,284	-	9,368,701
Fire	307,191	2,690,680	-	3,956,646	-	6,954,517
PUBLIC WORKS:						
Operations	-	-	54,689	99,678	-	154,367
Streets	-	-	-	2,595,510	-	2,595,510
Traffic Control	-	-	-	363,655	-	363,655
COMMUNITY SERVICE:						
Parks and Recreation	753,235	4,493,964	4,798,779	741,592	-	10,787,570
OTHER	<u>6,619,047</u>	<u>805,467</u>	<u>81,250</u>	<u>466,400</u>	<u>18,164,212</u>	<u>26,136,376</u>
Total	<u>\$8,829,473</u>	<u>\$13,341,649</u>	<u>\$5,114,610</u>	<u>\$12,479,511</u>	<u>\$18,164,212</u>	<u>\$57,929,455</u>

CITY OF FORT SMITH, ARKANSAS

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS -
BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	General Fixed Assets December 31, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	General Fixed Assets December 31, <u>1999</u>
GENERAL GOVERNMENT:					
Administration	\$ 645,870	\$ 166,893	\$ -	\$ -	\$ 812,763
Legal	235,106	35,303	-	-	270,409
Finance	478,429	15,711	8,553	-	485,587
PUBLIC SAFETY:					
Police	9,045,576	448,615	125,490	-	9,368,701
Fire	6,293,143	674,531	13,157	-	6,954,517
PUBLIC WORKS:					
Operations	99,678	54,689	-	-	154,367
Streets	2,528,305	189,594	122,389	-	2,595,510
Traffic Control	292,249	82,815	11,409	-	363,655
COMMUNITY SERVICE:					
Parks and Recreation	10,755,543	114,697	82,670	-	10,787,570
OTHER	<u>10,186,697</u>	<u>15,949,679</u>	<u>-</u>	<u>-</u>	<u>26,136,376</u>
Total	<u>\$40,560,596</u>	<u>\$17,732,527</u>	<u>\$363,668</u>	<u>\$ -</u>	<u>\$57,929,455</u>

CITY OF FORT SMITH, ARKANSAS

SUMMARY OF DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

PROPRIETARY FUND TYPES – ENTERPRISE FUNDS:

Airport Commission – To account for the provision of regional airport services. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing, and related debt service.

Parking Authority – To account for the provision of parking facilities within the City. All services necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing, and related debt service.

GOVERNMENTAL FUND TYPES – SPECIAL REVENUE FUNDS:

Advertising and Promotion – To account for the operations of the Advertising and Promotion Commission utilizing revenues from the hotel/motel tax. These revenues are restricted to expenditures of the Advertising and Promotion Commission to promote the City and increase tourism.

Public Library – To account for the operations of the Fort Smith Public Library in providing library services to citizens.

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET – COMPONENT UNIT PROPRIETARY FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
 (Continued on following page)

ASSETS	Airport Commission	Parking Authority	Totals	
			Year Ended	
			December 31, 1999	December 31, 1998
CASH	\$ 562,565	\$ -	\$ 562,565	\$ 84,324
INVESTMENTS	2,150,000	-	2,150,000	2,530,000
RECEIVABLES (amount net of allowances for uncollectibles):				
Accounts	49,843	4,165	54,008	21,704
Accrued interest	14,903	-	14,903	6,674
INVENTORY, at cost	3,296	-	3,296	1,694
PREPAID ITEMS	31,300	88,681	119,981	32,030
RESTRICTED ASSETS:				
Cash	250,304	-	250,304	65,424
Investments	5,268,929	326,598	5,595,527	1,412,251
Accounts receivable (amount net of allowances for uncollectibles)	415,582	-	415,582	248,924
Accrued interest	42,078	1,424	43,502	5,457
FIXED ASSETS, net of accumulated depreciation	24,867,243	2,345,639	27,212,882	25,266,264
DEFERRED CHARGES	<u>365,447</u>	<u>32,624</u>	<u>398,071</u>	<u>319,634</u>
Total Assets	<u>\$34,021,490</u>	<u>\$2,799,131</u>	<u>\$36,820,621</u>	<u>\$29,994,380</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET – COMPONENT UNIT PROPRIETARY FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
 (Continued)

<u>LIABILITIES AND EQUITY</u>	<u>Airport Commission</u>	<u>Parking Authority</u>	<u>Totals</u>	
			<u>Year Ended</u>	
			<u>December 31, 1999</u>	<u>December 31, 1998</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 683,977	\$ 20,571	\$ 704,548	\$ 582,317
Liability for accrued vacation and sick leave	-	11,783	11,783	14,431
Payable from restricted assets-				
Accrued interest	79,935	7,496	87,431	14,579
Revenue bonds payable, current	-	65,000	65,000	80,000
Due to primary government	-	-	-	589,504
Revenue bonds payable	5,240,700	1,904,891	7,145,591	2,140,958
Other	<u>532,565</u>	<u>-</u>	<u>532,565</u>	<u>652,851</u>
Total Liabilities	<u>6,537,177</u>	<u>2,009,741</u>	<u>8,546,918</u>	<u>4,074,640</u>
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	20,842,267	410,295	21,252,562	19,472,011
Retained earnings-				
Reserved for bond retirement	406,930	79,476	486,406	79,476
Unreserved	<u>6,235,116</u>	<u>299,619</u>	<u>6,534,735</u>	<u>6,368,253</u>
Total Equity	<u>27,484,313</u>	<u>789,390</u>	<u>28,273,703</u>	<u>25,919,740</u>
Total Liabilities and Equity	<u>\$34,021,490</u>	<u>\$2,799,131</u>	<u>\$36,820,621</u>	<u>\$29,994,380</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 COMPONENT UNIT PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998

	Airport Commission	Parking Authority	Totals	
			Year Ended	
			December 31, 1999	December 31, 1998
OPERATING REVENUES:				
Charges for services	\$1,246,852	\$243,856	\$1,490,708	\$1,427,565
Other	<u>345,470</u>	<u>-</u>	<u>345,470</u>	<u>281,558</u>
Total Operating Revenues	<u>1,592,322</u>	<u>243,856</u>	<u>1,836,178</u>	<u>1,709,123</u>
OPERATING EXPENSES:				
Personnel services	550,552	139,618	690,170	688,248
Contractual services	313,280	20,184	333,464	360,226
Materials and supplies	107,796	19,499	127,295	137,944
Heat, light, and power	77,074	8,377	85,451	93,711
Depreciation	1,561,839	73,963	1,635,802	1,512,356
Miscellaneous	<u>45,737</u>	<u>-</u>	<u>45,737</u>	<u>49,089</u>
Total Operating Expenses	<u>2,656,278</u>	<u>261,641</u>	<u>2,917,919</u>	<u>2,841,574</u>
OPERATING LOSS	<u>(1,063,956)</u>	<u>(17,785)</u>	<u>(1,081,741)</u>	<u>(1,132,451)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest	170,298	42,912	213,210	163,482
Interest expense and fiscal charges	(27,245)	(93,453)	(120,698)	(156,982)
Other nonoperating revenues, net	<u>185,806</u>	<u>(10,584)</u>	<u>175,222</u>	<u>279,854</u>
Total Nonoperating Revenues (Expenses), Net	<u>328,859</u>	<u>(61,125)</u>	<u>267,734</u>	<u>286,354</u>
Loss Before Operating Transfers	(735,097)	(78,910)	(814,007)	(846,097)
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT	-	110,000	110,000	175,000
OPERATING TRANSFERS TO PRIMARY GOVERNMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>(589,504)</u>
Net Income (Loss)	(735,097)	31,090	(704,007)	(1,260,601)
ADD BACK DEPRECIATION ON CONTRIBUTED ASSETS	1,277,419	-	1,277,419	1,152,171
RETAINED EARNINGS, beginning of year	<u>6,099,724</u>	<u>348,005</u>	<u>6,447,729</u>	<u>6,556,159</u>
RETAINED EARNINGS, end of year	<u>\$6,642,046</u>	<u>\$379,095</u>	<u>\$7,021,141</u>	<u>\$6,447,729</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNIT PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
 (Continued on following page)

			Totals	
			Year Ended	
	Airport Commission	Parking Authority	December 31, 1999	December 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$1,266,324	\$ 245,967	\$1,512,291	\$1,503,402
Cash payments for goods and services	(394,717)	(116,373)	(511,090)	(396,464)
Cash payments to employees	(550,360)	(142,347)	(692,707)	(671,534)
Cash payments for other operating expenses	(45,737)	-	(45,737)	(49,049)
Cash received from other operating revenues	<u>345,470</u>	<u>-</u>	<u>345,470</u>	<u>281,558</u>
Net Cash Provided by (Used for) Operating Activities	<u>620,980</u>	<u>(12,753)</u>	<u>608,227</u>	<u>667,913</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers-in from primary government	-	110,000	110,000	175,000
Operating transfers-out to primary government	<u>-</u>	<u>(589,504)</u>	<u>(589,504)</u>	<u>-</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>-</u>	<u>(479,504)</u>	<u>(479,504)</u>	<u>175,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Bonds proceeds	5,044,060	-	5,044,060	1,974,746
Payment to escrow agent	-	-	-	(848,778)
Proceeds from grants	3,057,970	-	3,057,970	2,139,134
Acquisition and construction of capital assets	(3,206,906)	(442,890)	(3,649,796)	(2,924,630)
Principal paid on revenue bonds	(168,580)	-	(168,580)	(255,000)
Interest and fiscal charges paid on revenue bonds	<u>(15,465)</u>	<u>(97,451)</u>	<u>(112,916)</u>	<u>(108,659)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>4,711,079</u>	<u>(540,341)</u>	<u>4,170,738</u>	<u>(23,187)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investment securities	2,730,000	1,449,110	4,179,110	2,229,933
Outlays for purchases of investment securities	(7,518,929)	(463,457)	(7,982,386)	(4,042,251)
Interest on investments	<u>119,991</u>	<u>46,945</u>	<u>166,936</u>	<u>158,633</u>
Net Cash Provided by (Used for) Investing Activities	<u>(4,668,938)</u>	<u>1,032,598</u>	<u>(3,636,340)</u>	<u>(1,128,618)</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	663,121	-	663,121	(308,892)
CASH AND RESTRICTED CASH, beginning of year	<u>149,748</u>	<u>-</u>	<u>149,748</u>	<u>458,640</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 812,869</u>	<u>\$ -</u>	<u>\$ 812,869</u>	<u>\$ 149,748</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF CASH FLOWS
 COMPONENT UNIT PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
 (Continued)

			Totals	
			Year Ended	
	Airport Commission	Parking Authority	December 31, 1999	December 31, 1998
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating loss	\$(1,063,956)	\$ (17,785)	\$(1,081,741)	\$(1,132,451)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities-				
Depreciation	1,561,839	73,963	1,635,802	1,512,356
Miscellaneous revenue (expense)	233,118	161	233,279	174,255
Changes in assets and liabilities-				
Accounts receivable	(200,912)	1,950	(198,962)	(88,596)
Inventory	(1,602)	-	(1,602)	448
Prepaid items	(951)	(87,000)	(87,951)	4,522
Accounts payable and accrued liabilities	103,625	18,606	122,231	206,576
Liability for accrued vacation and sick leave	-	(2,648)	(2,648)	3,692
Other liabilities	<u>(10,181)</u>	<u>-</u>	<u>(10,181)</u>	<u>(12,889)</u>
Total adjustments	<u>1,684,936</u>	<u>5,032</u>	<u>1,689,968</u>	<u>1,800,364</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 620,980</u>	<u>\$ (12,753)</u>	<u>\$ 608,227</u>	<u>\$ 667,913</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET – COMPONENT UNIT GOVERNMENTAL FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998

ASSETS	Advertising and Promotion	Public Library	Totals	
			Year Ended	
			December 31, 1999	December 31, 1998
CASH	\$ 25	\$ 768,874	\$ 768,899	\$ 739,273
INVESTMENTS	87,726	174,473	262,199	280,770
RECEIVABLES, net of allowances for uncollectibles:				
Taxes	15,367	-	15,367	20,295
Sales taxes	-	117,010	117,010	52,207
Accounts	-	70,096	70,096	84,534
Accrued interest	407	213	620	800
INVENTORY, at cost	-	5,000	5,000	5,000
PREPAID ITEMS	-	32,847	32,847	28,647
FIXED ASSETS, net of accumulated depreciation	<u>-</u>	<u>847,073</u>	<u>847,073</u>	<u>913,723</u>
Total Assets	<u>\$103,525</u>	<u>\$2,015,586</u>	<u>\$2,119,111</u>	<u>\$2,125,249</u>
<u>LIABILITIES AND EQUITY AND OTHER CREDITS</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	<u>\$ 4,837</u>	<u>\$ 26,670</u>	<u>\$ 31,507</u>	<u>\$ 39,991</u>
Total Liabilities	<u>4,837</u>	<u>26,670</u>	<u>31,507</u>	<u>39,991</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	847,073	847,073	913,723
Fund balances-				
Reserved for encumbrances	-	-	-	2,034
Reserved for prepaid items	-	32,847	32,847	28,647
Reserved for subsequent years' expenditures	-	25,000	25,000	34,958
Unreserved-				
Designated for subsequent years' expenditures	<u>98,688</u>	<u>1,083,996</u>	<u>1,182,684</u>	<u>1,105,896</u>
Total Equity and Other Credits	<u>98,688</u>	<u>1,988,916</u>	<u>2,087,604</u>	<u>2,085,258</u>
Total Liabilities and Equity and Other Credits	<u>\$103,525</u>	<u>\$2,015,586</u>	<u>\$2,119,111</u>	<u>\$2,125,249</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 COMPONENT UNIT GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998

	Advertising and Promotion	Public Library	Totals Year Ended	
			December 31, 1999	December 31, 1998
REVENUES:				
Taxes	\$296,079	\$ 733,855	\$1,029,934	\$1,006,913
Sales taxes	-	694,322	694,322	674,631
Intergovernmental	-	191,477	191,477	94,914
Fees for services	-	71,383	71,383	73,687
Interest	4,599	28,237	32,836	54,827
(Increase) decrease in fair value of investments	-	88	88	(80,529)
Contributions	4,243	33,632	37,875	48,067
Miscellaneous	-	1,399	1,399	3,995
Total Revenues	<u>304,921</u>	<u>1,754,393</u>	<u>2,059,314</u>	<u>1,876,505</u>
EXPENDITURES:				
Current-				
Community services	-	1,733,690	1,733,690	1,563,364
Other	<u>314,431</u>	<u>-</u>	<u>314,431</u>	<u>708,397</u>
Total Expenditures	<u>314,431</u>	<u>1,733,690</u>	<u>2,048,121</u>	<u>2,271,761</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,510)	20,703	11,193	(395,256)
OTHER USES:				
Operating transfers to primary government	<u>(8,847)</u>	<u>-</u>	<u>(8,847)</u>	<u>(8,911)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(18,357)	20,703	2,346	(404,167)
FUND BALANCES, beginning of year	<u>117,045</u>	<u>1,968,213</u>	<u>2,085,258</u>	<u>2,489,425</u>
FUND BALANCES, end of year	<u>\$ 98,688</u>	<u>\$1,988,916</u>	<u>\$2,087,604</u>	<u>\$2,085,258</u>

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CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL WATER AND SEWER FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
 (Continued on following page)

<u>ASSETS</u>	<u>Water and Sewer Operating</u>	<u>Water and Sewer Depreciation</u>	<u>Meter Deposit</u>	<u>Water and Sewer Bond</u>
CASH	\$ 28,736	\$ -	\$ -	\$ -
INVESTMENTS	2,605,414	-	-	-
RECEIVABLES, net of allowances for uncollectibles:				
Sales taxes	325,567	-	-	-
Accounts	1,689,277	-	-	-
Accrued interest	11,767	-	-	-
INTERFUND RECEIVABLES	-	-	-	-
INVENTORY	451,848	-	-	-
ADVANCES TO OTHER FUNDS	-	-	-	-
RESTRICTED ASSETS:				
Cash	-	-	40,222	-
Investments	-	497,717	773,593	1,095,159
Interest receivable	-	2,283	3,570	2,900
Due from other funds	-	-	-	-
Prepaid items and deposits	-	-	-	-
FIXED ASSETS, net of accumulated depreciation	44,179,374	-	-	-
DEFERRED CHARGES	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,590</u>
Total Assets	<u>\$49,291,983</u>	<u>\$500,000</u>	<u>\$817,385</u>	<u>\$1,551,649</u>

COMBINING BALANCE SHEET - ALL WATER AND SEWER FUNDS
(Continued)

Water and Sewer Capital Improvements	Totals	
	December 31, 1999	December 31, 1998
\$ -	\$ 28,736	\$ 575
-	2,605,414	1,594,132
-	325,567	287,138
-	1,689,277	1,183,690
-	11,767	8,066
-	-	333,333
-	451,848	610,642
-	-	1,000,001
-	40,222	17,380
34,960,104	37,326,573	11,520,730
189,293	198,046	45,314
973,441	973,441	899,962
977	977	3,923
76,645,729	120,825,103	118,757,676
-	453,590	236,853
<u>\$112,769,544</u>	<u>\$164,930,561</u>	<u>\$136,499,415</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL WATER AND SEWER FUNDS (CONTINUED)
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998

(Continued on following page)

<u>LIABILITIES AND EQUITY</u>	<u>Water and Sewer Operating</u>	<u>Water and Sewer Depreciation</u>	<u>Meter Deposit</u>	<u>Water and Sewer Bond</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 507,439	\$ -	\$ -	\$ -
Liability for accrued vacation and sick leave	595,211	-	-	-
Payable from restricted assets-				
Accrued interest	-	-	-	646,040
Revenue bonds payable, current	-	-	-	2,055,000
Accounts payable and accrued expenses	-	-	-	-
Deposits	-	-	817,385	-
Retainage payable	-	-	-	-
Due to other funds	973,441	-	-	-
Revenue bonds payable	-	-	-	45,295,400
Other	<u>23,020</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,099,111</u>	<u>-</u>	<u>817,385</u>	<u>47,996,440</u>
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	12,244,504	-	-	-
In aid of construction	32,699,624	-	-	-
Retained earnings (deficit)-				
Reserved for bond retirement	-	-	-	4,648,103
Reserved for asset replacement	-	500,000	-	-
Unreserved	<u>2,248,744</u>	<u>-</u>	<u>-</u>	<u>(51,092,894)</u>
Total Equity	<u>47,192,872</u>	<u>500,000</u>	<u>-</u>	<u>(46,444,791)</u>
Total Liabilities and Equity	<u>\$49,291,983</u>	<u>\$500,000</u>	<u>\$817,385</u>	<u>\$ 1,551,649</u>

COMBINING BALANCE SHEET - ALL WATER AND SEWER FUNDS (CONTINUED)

(Continued)

Water and Sewer Capital Improvements	Totals	
	December 31, 1999	December 31, 1998
\$ -	\$ 507,439	\$ 431,952
-	595,211	588,565
-	646,040	321,553
-	2,055,000	1,170,000
994,550	994,550	752,595
-	817,385	784,640
257,987	257,987	58,852
-	973,441	899,962
-	45,295,400	21,288,542
-	23,020	16,491
<u>1,252,537</u>	<u>52,165,473</u>	<u>26,313,152</u>
-	12,244,504	12,244,504
3,423	32,703,047	31,821,293
-	4,648,103	2,468,640
-	500,000	500,000
<u>111,513,584</u>	<u>62,669,434</u>	<u>63,151,826</u>
<u>111,517,007</u>	<u>112,765,088</u>	<u>110,186,263</u>
<u>\$112,769,544</u>	<u>\$164,930,561</u>	<u>\$136,499,415</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS-
 ALL WATER AND SEWER FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998
 (Continued on following page)

	<u>Water and Sewer Operating</u>	<u>Water and Sewer Depreciation</u>	<u>Meter Deposit</u>	<u>Water and Sewer Bond</u>
OPERATING REVENUES:				
Water service	\$ 9,240,470	\$ -	\$ -	\$ -
Sewer service	6,870,186	-	-	-
Charges for services	541,958	-	-	-
Other	<u>33,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>16,686,312</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES:				
Personnel services	7,235,791	-	-	-
Contractual services	981,388	-	-	-
Materials and supplies	2,821,532	-	-	-
Heat, light, and power	867,631	-	-	-
Depreciation	<u>4,970,278</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>16,876,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING LOSS	<u>(190,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	160,833	-	-	145,659
Decrease in fair value of investments	-	-	-	-
Interest expense and fiscal charges	-	-	-	(1,610,697)
Other nonoperating revenues (expenses)	<u>4,015,171</u>	<u>-</u>	<u>-</u>	<u>(151,031)</u>
Total Nonoperating Revenues (Expenses)	<u>4,176,004</u>	<u>-</u>	<u>-</u>	<u>(1,616,069)</u>
Income (Loss) Before Operating Transfers	3,985,696	-	-	(27,336,395)
OPERATING TRANSFERS IN	-	-	-	2,861,210
OPERATING TRANSFERS OUT	<u>(8,157,466)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>(4,171,770)</u>	<u>-</u>	<u>-</u>	<u>1,245,141</u>
RETAINED EARNINGS (DEFICIT), beginning of year	<u>6,420,514</u>	<u>500,000</u>	<u>-</u>	<u>(21,969,606)</u>
RETAINED EARNINGS (DEFICIT), end of year	<u>\$ 2,248,744</u>	<u>\$500,000</u>	<u>\$ -</u>	<u>\$(20,724,465)</u>

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS-
ALL WATER AND SEWER FUNDS

(Continued)

Water and Sewer Capital Improvements	Totals	
	December 31, 1999	December 31, 1998
\$ -	\$ 9,240,470	\$ 7,409,167
-	6,870,186	6,019,492
-	541,958	417,559
-	33,698	34,812
-	16,686,312	13,881,030
-	7,235,791	6,898,058
-	981,388	1,455,258
-	2,821,532	2,023,803
-	867,631	801,585
-	4,970,278	3,514,425
-	16,876,620	14,693,129
-	(190,308)	(812,099)
673,691	980,183	714,941
(12,913)	(12,913)	-
-	(1,610,697)	(1,325,023)
-	3,864,140	3,697,061
660,778	3,220,713	3,086,979
660,778	3,030,405	2,274,880
3,962,922	6,824,132	7,516,697
-	(8,157,466)	(7,516,697)
4,623,700	1,697,071	2,274,880
81,169,558	66,120,466	63,845,586
<u>\$ 85,793,258</u>	<u>\$67,817,537</u>	<u>\$66,120,466</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL SANITATION FUNDS
DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
 (Continued on following page)

<u>ASSETS</u>	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
CASH	\$ 1,100	\$ -	\$ -	\$ -
INVESTMENTS	2,073,015	-	-	-
RECEIVABLES (amount net of allowances for uncollectibles):				
Sales taxes	69,060	-	-	-
Accounts	718,166	-	-	-
Accrued interest	9,186	-	-	-
INTERFUND RECEIVABLES	-	-	-	-
PREPAID ITEMS	-	-	-	-
ADVANCES TO OTHER FUNDS	-	-	-	-
RESTRICTED ASSETS:				
Cash	-	10,912	-	-
Investments	-	1,182,423	251,426	3,519,892
Accounts receivable (amount net of allowances for uncollectibles)	-	-	7,792	-
Interest receivable	-	5,622	908	14,896
FIXED ASSETS, net of accumulated depreciation	4,865,581	-	-	7,945,054
DEFERRED CHARGES	-	75,441	-	-
Total Assets	<u>\$7,736,108</u>	<u>\$1,274,398</u>	<u>\$260,126</u>	<u>\$11,479,842</u>

COMBINING BALANCE SHEET - ALL SANITATION FUNDS

(Continued)

Totals	
December 31, 1999	December 31, 1998
\$ 1,100	\$ 1,100
2,073,015	2,415,975
69,060	87,011
718,166	583,301
9,186	9,948
-	333,333
-	28,791
-	1,000,001
10,912	-
4,953,741	5,173,845
7,792	16,413
21,426	21,663
12,810,635	12,941,242
<u>75,441</u>	<u>82,054</u>
<u>\$20,750,474</u>	<u>\$22,694,677</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING BALANCE SHEET - ALL SANITATION FUNDS

DECEMBER 31, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998

(Continued on following page)

<u>LIABILITIES AND EQUITY</u>	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 516,591	\$ -	\$ -	\$ -
Liability for accrued vacation and sick leave	167,699	-	352	-
Liability for landfill closure and postclosure care	-	-	-	1,694,287
Payable from restricted assets-				
Accrued interest	-	44,245	-	-
Revenue bonds payable, current	-	635,000	-	-
Accounts payable and accrued expenses	-	1,042	6,169	10,792
Retainage payable	-	-	-	-
Revenue bonds payable, net	-	9,096,638	-	-
Total Liabilities	<u>684,290</u>	<u>9,776,925</u>	<u>6,521</u>	<u>1,705,079</u>
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	29,518	-	-	-
Retained earnings-				
Reserved for bond retirement	-	777,264	-	-
Reserved for landfill closure and postclosure care	-	-	-	2,687,236
Reserved for asset replacement	83,164	-	-	-
Reserved for construction	-	-	253,605	-
Unreserved	6,939,136	(9,279,791)	-	7,087,527
Total Equity	<u>7,051,818</u>	<u>(8,502,527)</u>	<u>253,605</u>	<u>9,774,763</u>
Total Liabilities and Equity	<u>\$7,736,108</u>	<u>\$1,274,398</u>	<u>\$260,126</u>	<u>\$11,479,842</u>

COMBINING BALANCE SHEET - ALL SANITATION FUNDS

(Continued)

Totals	
December 31, 1999	December 31, 1998
\$ 516,591	\$ 523,250
168,051	169,156
1,694,287	1,328,533
44,245	46,467
635,000	610,000
18,003	329,733
-	45,890
<u>9,096,638</u>	<u>9,692,842</u>
<u>12,172,815</u>	<u>12,745,871</u>
29,518	29,518
777,264	777,264
2,687,236	2,444,400
83,164	68,257
253,605	138,955
<u>4,746,872</u>	<u>6,490,412</u>
<u>8,577,659</u>	<u>9,948,806</u>
<u>\$20,750,474</u>	<u>\$22,694,677</u>

CITY OF FORT SMITH, ARKANSAS

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
ALL SANITATION FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999,
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1998
(Continued on following page)

	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
OPERATING REVENUES:				
Charges for services	<u>\$7,857,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES:				
Personnel services	3,672,933	-	31,967	-
Contractual services	1,235,466	-	68,164	-
Materials and supplies	1,135,270	-	5,369	365,754
Heat, light, and power	19,430	-	-	-
Depreciation	<u>2,338,216</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>8,401,315</u>	<u>-</u>	<u>105,500</u>	<u>365,754</u>
OPERATING LOSS	<u>(544,265)</u>	<u>-</u>	<u>(105,500)</u>	<u>(365,754)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	106,594	73,113	8,896	174,662
Increase (decrease) in fair value of investments	-	(18,091)	-	-
Interest and fiscal charges	-	(555,378)	-	-
Other nonoperating revenues (expenses)	<u>946,866</u>	<u>(56,210)</u>	<u>41,254</u>	<u>171,000</u>
Total Nonoperating Revenues (Expenses)	<u>1,053,460</u>	<u>(556,566)</u>	<u>50,150</u>	<u>345,662</u>
Income (Loss) Before Operating Transfers	509,195	(556,566)	(55,350)	(20,092)
OPERATING TRANSFERS IN	-	1,167,610	170,000	450,000
OPERATING TRANSFERS OUT	<u>(3,035,944)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	(2,526,749)	611,044	114,650	429,908
RETAINED EARNINGS (DEFICIT), beginning of year	<u>9,549,049</u>	<u>(9,113,571)</u>	<u>138,955</u>	<u>9,344,855</u>
RETAINED EARNINGS (DEFICIT), end of year	<u>\$7,022,300</u>	<u>\$ (8,502,527)</u>	<u>\$253,605</u>	<u>\$9,774,763</u>

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
ALL SANITATION FUNDS
(Continued)

Totals	
December 31, 1999	December 31, 1998
<u>\$7,857,050</u>	<u>\$ 7,124,233</u>
3,704,900	3,404,194
1,303,630	1,176,330
1,506,393	1,369,968
19,430	17,045
<u>2,338,216</u>	<u>1,804,997</u>
<u>8,872,569</u>	<u>7,772,534</u>
<u>(1,015,519)</u>	<u>(648,301)</u>
363,265	360,225
(18,091)	5,018
(555,378)	(617,605)
<u>1,102,910</u>	<u>1,157,865</u>
<u>892,706</u>	<u>905,503</u>
(122,813)	257,202
1,787,610	1,931,780
<u>(3,035,944)</u>	<u>(1,846,780)</u>
(1,371,147)	342,202
<u>9,919,288</u>	<u>9,577,086</u>
<u><u>\$8,548,141</u></u>	<u><u>\$ 9,919,288</u></u>

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ARTHUR ANDERSEN

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
COMPLIANCE AND INTERNAL CONTROLS**

To the Honorable Mayor,
City Board of Directors and City Administrator,
City of Fort Smith, Arkansas:

We have audited the general purpose financial statements of the City of Fort Smith, Arkansas (the "City"), as of and for the year ended December 31, 1999, and have issued our report thereon dated April 20, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards (1994 Revision, as amended), issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated April 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated April 20, 2000.

This report is intended solely for the information of the Mayor, City Board members, City management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dallas, Texas,
April 20, 2000

Arthur Andersen LLP



ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE AND INTERNAL CONTROLS RELATED TO FEDERAL AND STATE PROGRAMS

To the Honorable Mayor,
City Board of Directors and City Administrator,
City of Fort Smith, Arkansas:

Compliance

We have audited the compliance of the City of Fort Smith, Arkansas (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal and state programs for the year ended December 31, 1999. The City's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with (1) auditing standards generally accepted in the United States, (2) the standards applicable to financial audits contained in Government Auditing Standards (1994 Revision, as amended), issued by the Comptroller General of the United States, and (3) OMB Revised Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal and state programs for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated April 20, 2000.

We have audited the general purpose financial statements of the City as of and for the year ended December 31, 1999, and have issued our report thereon dated April 20, 2000. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Mayor, City Board members, City management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Dallas, Texas,
April 20, 2000

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CITY OF FORT SMITH, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Granting Agency/Grant Program</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
FEDERAL ASSISTANCE:			
Department of Housing and Urban Development Direct Federal Payments -			
Community Development Block Grants-			
Twenty Second Entitlement	14.218	B97MC0500003	\$ 314,857
Twenty Third Entitlement	14.218	B98MC0500003	540,357
Home Investment Partnership Act	14.239	M98-MC050202	177,504
Home Investment Partnership Act	14.239	M99-MC050202	<u>34,677</u>
Total Department of Housing and Urban Development			<u>1,067,395</u>
Department of Justice-			
COPS Ahead Award Program	16.719	95CCWX0110	247,482
Community Policing to Combat Domestic Violence	16.719	96DVWX317	2,518
Local Law Enforcement Block Grant Program	16.592	97LBVX2111	120,238
BJA/LLEBG	16.592	98LBVX2111	123,031
Passed through the Arkansas State Department of Finance and Administration-			
Drug Control and Systems Improvement Formula Grant – Drug Law Enforcement Program	16.579	DLEP 99-16, DLEP 98-22	<u>29,190</u>
Total Department of Justice			<u>522,459</u>
U.S. Department of Transportation-			
Passed through the Arkansas Highway Transportation Department-			
Federal Transit Administration Grant-			
Operating and Capital	20.507	AR90X039	<u>477,588</u>
Total U.S. Department of Transportation			<u>477,588</u>
U.S. Department of the Interior, National Parks Service-			
Passed through the National Trust for Historic Preservation, Arkansas			
Historic Preservation-			
NPS Grant – Historic Preservation Program	15.904	101-02-9502-97-01	<u>112,922</u>
Total U.S. Department of the Interior			<u>112,922</u>
Federal Emergency Management Agency-			
Passed through the Arkansas Office of Emergency Services-			
FEMA	83.516	1111DRARPA	1,678,576
Hazard Mitigation	83.546	1111DRARHM	<u>187,311</u>
Total Federal Emergency Management Agency			<u>1,865,887</u>
Total Federal Awards			<u>\$4,046,251</u>

The accompanying Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

CITY OF FORT SMITH, ARKANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Granting Agency/Grant Program</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
STATE ASSISTANCE:			
Arkansas Department of Pollution Control and Ecology - Solid Waste Management and Recycling Grant Fund Program-			
Equipment, Education, Market Development, and Administration	N/A	S1-96, Adm 96, 5-96	\$ 46,052
Equipment, Education, Market Development, and Administration	N/A	S1-97, Adm	14,192
Equipment, Education, Market Development, and Administration	N/A	S1-98, 2-98, 3-98, Adm	46,474
Equipment, Education, Market Development, and Administration	N/A	S1-99, 3-99	5,950
Illegal Dump Site Cleanup	N/A	N/A	<u>13,522</u>
Total Arkansas Department of Pollution Control and Ecology			<u>126,190</u>
Department of Arkansas Heritage- CLG Grant - Historic Preservation Program	N/A	CLG98-01	<u>2,000</u>
Total Department of Arkansas Heritage			<u>2,000</u>
Arkansas Industrial Development Commission (AIDC)- Economic Development Grants-			
Public Works Projects	N/A	EIF 9711	300,000
Beverly Infrastructure	N/A	N/A	<u>478,246</u>
Total Arkansas Industrial Development Commission			<u>778,246</u>
Arkansas Department of Parks & Tourism- LWCF - CAC	N/A	A-10227090SB	<u>9,220</u>
Total Arkansas Department of Parks & Tourism			<u>9,220</u>
Arkansas Forestry Commission- Tree Inventory	N/A	UCF 98-14	<u>2,500</u>
Total Arkansas Forestry Commission			<u>2,500</u>
Total State Awards			<u>918,156</u>
Total Federal and State Awards			<u>\$4,964,407</u>

The accompanying Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

CITY OF FORT SMITH, ARKANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

DECEMBER 31, 1999

1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133:

All federal and state financial award programs of the City of Fort Smith, Arkansas (the "City"), are included in the scope of the OMB Circular A-133 audit (the "single audit"). For purposes of this report, awards include those received from other agencies, the original source of which was a federal or state agency. The Schedule of Expenditures of Federal and State Awards does not include the Airport Commission's federal and state financial award programs.

The single audit was performed in accordance with the provisions of the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments (the "Compliance Supplement"), issued in April 1999. Compliance testing was performed for the City's major programs specified below.

2. ORGANIZATION AND ACCOUNTING POLICIES:

The City is the recipient of certain federal and state grant funds. The grant programs are administered by various departments within the City. The activities of these organizations are monitored by City staff to ensure compliance with the requirements of the underlying grants.

The accounting policies of the City conform to generally accepted accounting principles for local government units as prescribed by the Government Accounting Standards Board.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The grant accounts are maintained and the accompanying Schedule of Expenditures of Federal and State Awards has been prepared on the modified accrual basis. Grant revenues are recognized when eligible grant expenditures are incurred.

4. MAJOR PROGRAMS:

The City has the following major federal and state programs:

<u>Federal CFDA/Grant Number</u>	<u>Program Name</u>
Federal- 14.218	Community Development Block Grants
State	Beverly Infrastructure

5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal and State Awards may not agree with the amounts reported in the related federal and state financial reports filed with grantor agencies because of accruals which would be included in the next report filed with the agencies.

6. LITIGATION:

In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, and/or property damage resulting from accidents occurring in the City. In addition, the City has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the City's financial position.

7. COMMITMENTS AND CONTINGENCIES:

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 1998, may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

8. SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS OF NONCOMPLIANCE:

The schedule of findings and questioned costs, including the summary of auditors' results is disclosed on Schedule I. There were no material instances of noncompliance noted in connection with the prior year single audit.

CITY OF FORT SMITH, ARKANSASSCHEDULE OF FINDINGS AND QUESTIONED COSTSFOR THE YEAR ENDED DECEMBER 31, 1999Section I. SUMMARY OF THE AUDITOR'S RESULTS:*Financial Statements*Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133 _____ yes x no

Department of Housing and Urban Development: Community Development Block Grant - CFDA Number 14.218 was tested as a major federal program in accordance with OMB Circular A-133, Section 105 and the Beverly Infrastructure Grant was tested as a major state program.

The dollar threshold used to distinguish between Type A and Type B programs, as described in Section .520(b), is \$300,000.

The City qualified as a "low risk" auditee under Section .530.

CITY OF FORT SMITH, ARKANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 1999

Section II. FINANCIAL STATEMENT FINDINGS:

There were no findings relating to the general purpose financial statements which are required to be reported in accordance with Government Auditing Standards. However, we have noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated April 20, 2000.

Section III. FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS:

There were no material findings or questioned costs for federal and state awards for the year ended December 31, 1999.

CITY OF FORT SMITH, ARKANSASGENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1) AND (2)LAST TEN FISCAL YEARS

(Unaudited)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Services</u>	<u>Other</u>	<u>Debt Service</u>	<u>Total</u>
1990	\$1,865,160	\$ 6,790,822	\$13,803,703	\$ 652,249	\$ 758,848	\$ 294,414	\$24,165,196
1991	\$2,028,870	\$ 7,471,771	\$15,291,390	\$ 678,778	\$2,544,571	\$ 275,605	\$28,290,985
1992	\$2,360,753	\$ 7,993,596	\$11,717,454	\$ 786,999	\$2,660,852	\$ 281,500	\$25,801,154
1993	\$2,412,384	\$ 8,196,871	\$10,998,716	\$1,108,863	\$2,239,107	\$ 278,650	\$25,234,591
1994	\$2,395,054	\$ 8,739,092	\$17,284,148	\$ 998,413	\$2,476,217	\$ -	\$31,892,924
1995	\$2,726,919	\$11,773,614	\$18,725,616	\$ 921,353	\$1,117,311	\$ -	\$35,264,813
1996	\$2,861,021	\$13,334,796	\$16,336,109	\$1,637,082	\$1,524,650	\$ -	\$35,693,658
1997	\$3,016,803	\$14,298,925	\$16,823,329	\$1,390,933	\$1,707,646	\$ 252,333	\$37,489,969
1998	\$3,091,735	\$15,235,568	\$15,406,557	\$1,981,055	\$1,242,962	\$4,240,216	\$41,198,093
1999	\$3,542,767	\$16,893,976	\$15,180,628	\$2,105,136	\$1,749,246	\$7,485,305	\$46,957,058

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) This schedule excludes General Fund and Special Revenue Fund capital outlays.

CITY OF FORT SMITH, ARKANSASGENERAL REVENUE BY SOURCE (1)LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes (2)</u>	<u>Sales Tax (3)</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Fines and Forfeitures</u>	<u>Fees for Services</u>	<u>Interest</u>	<u>Other (4)</u>	<u>Total</u>
1990	\$ 7,810,230	\$ 9,217,302	\$1,131,217	\$ 4,816,384	\$1,082,521	\$187,847	\$ 512,356	\$ 227,128	\$24,984,98
1991	\$ 8,850,685	\$ 9,654,332	\$1,127,617	\$ 6,109,939	\$1,138,698	\$219,897	\$ 504,633	\$ 770,074	\$28,375,87
1992	\$ 9,057,950	\$10,424,648	\$1,139,200	\$ 6,426,944	\$1,066,939	\$216,682	\$ 304,778	\$ 613,748	\$29,250,88
1993	\$ 9,555,985	\$11,552,563	\$1,193,378	\$ 8,152,456	\$1,157,541	\$215,485	\$ 391,956	\$ 579,642	\$32,799,00
1994	\$ 9,354,105	\$14,049,584	\$ 603,368	\$ 7,850,023	\$1,313,112	\$221,095	\$ 660,320	\$ 758,061	\$34,809,66
1995	\$ 9,457,431	\$18,481,174	\$ 642,665	\$ 7,614,332	\$1,585,493	\$255,280	\$1,016,993	\$ 797,690	\$39,851,05
1996	\$ 9,487,379	\$19,451,766	\$ 737,199	\$ 8,341,274	\$1,758,333	\$262,531	\$1,096,542	\$ 810,202	\$41,945,22
1997	\$ 9,972,921	\$19,732,421	\$ 718,234	\$ 7,757,251	\$1,835,552	\$286,989	\$1,279,268	\$ 776,068	\$42,358.70
1998	\$10,268,710	\$26,599,219	\$ 819,234	\$ 9,828,021	\$1,757,023	\$384,289	\$1,511,836	\$1,639,154	\$52,807,48
1999	\$10,467,904	\$29,121,222	\$1,001,801	\$10,977,226	\$1,694,367	\$329,352	\$1,830,242	\$ 922,715	\$56,344.82

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) Includes taxes and utility franchise fees.

(3) The City began collecting the 1% City sales tax in November 1985, the ½% City sales tax in February 1998, and the 1% County sales tax in August 1994.

(4) Includes contributions and miscellaneous revenues.

CITY OF FORT SMITH, ARKANSASPROPERTY TAX LEVIES AND COLLECTIONSLAST TEN FISCAL YEARS

(Unaudited)

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Collection Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
1990	\$ 4,278,934	\$ 4,165,474	97.35%	\$132,911	\$ 4,298,385	100.45%	\$143,508	3.35%
1991	\$ 4,776,893	\$ 4,599,490	96.29%	\$158,105	\$ 4,757,595	99.60%	\$182,120	3.81%
1992	\$ 4,971,677	\$ 4,762,800	95.80%	\$200,103	\$ 4,962,903	99.82%	\$179,987	3.62%
1993	\$ 4,971,677	\$ 4,860,126	97.76%	\$200,206	\$ 5,060,332	101.78%	\$187,649	3.77%
1994	\$ 4,815,548	\$ 4,697,860	97.56%	\$200,754	\$ 4,898,614	101.72%	\$149,673	3.11%
1995	\$ 5,013,613	\$ 4,914,796	98.03%	\$161,378	\$ 5,076,174	101.25%	\$139,330	2.78%
1996	\$ 5,333,661	\$ 5,188,597	97.28%	\$145,282	\$ 5,333,879	100.00%	\$178,399	3.34%
1997	\$ 5,724,797	\$ 5,532,859	96.65%	\$195,923	\$ 5,728,782	100.07%	\$221,049	3.86%
1998	\$ 5,794,689	\$ 5,622,468	97.03%	\$173,623	\$ 5,796,091	100.02%	\$227,176	3.92%
1999	\$ 5,925,809	\$ 5,829,854	98.38%	\$181,543	\$ 6,011,397	101.44%	\$237,037	4.00%

(1) Total Tax Levy is based upon assessed valuation of the previous year.

CITY OF FORT SMITH, ARKANSAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year (1)	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1990	\$370,320,655	\$1,851,603,275	\$165,620,865	\$ 828,104,325	\$535,941,520	\$2,679,707,600	20%
1991	\$408,550,169	\$2,042,750,845	\$177,785,538	\$ 888,927,690	\$586,335,707	\$2,931,678,535	20%
1992	\$422,928,404	\$2,114,642,020	\$176,190,454	\$ 880,952,270	\$599,118,858	\$2,995,594,290	20%
1993	\$437,652,596	\$2,188,262,980	\$179,787,756	\$ 898,938,780	\$617,440,352	\$3,087,201,760	20%
1994	\$449,615,226	\$2,248,076,130	\$185,078,434	\$ 925,392,170	\$634,693,660	\$3,173,468,300	20%
1995	\$467,705,956	\$2,338,529,780	\$207,064,714	\$1,035,323,570	\$674,770,670	\$3,373,853,350	20%
1996	\$500,702,647	\$2,503,513,235	\$220,326,778	\$1,101,633,890	\$721,029,425	\$3,605,147,125	20%
1997	\$506,220,849	\$2,531,104,245	\$225,555,162	\$1,127,775,810	\$731,776,011	\$3,658,880,055	20%
1998	\$522,018,450	\$2,610,092,250	\$239,096,910	\$1,195,484,550	\$761,115,360	\$3,805,576,800	20%
1999	\$535,068,911	\$2,675,344,555	\$245,708,442	\$1,228,542,210	\$780,777,353	\$3,903,886,765	20%

(1) Fiscal year is year of valuation.

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CITY OF FORT SMITH, ARKANSAS

DIRECT PROPERTY TAX RATES AND TAX LEVIES
ALL DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS
(Unaudited)

TAX RATES (Per \$100 of Assessed Valuation):

Fiscal Year (1)	<u>City of Fort Smith</u>		<u>Sebastian County</u>		<u>Fort Smith School District</u>		<u>Fort Smith Library</u>	
	<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>
1990	.750	.750	.800	.800	3.650	3.650	.100	.100
1991	.750	.750	.800	.800	3.650	3.650	.100	.100
1992	.750	.750	.800	.800	3.650	3.650	.100	.100
1993	.700	.700	.800	.800	3.650	3.650	.100	.100
1994	.700	.700	.800	.800	3.650	3.650	.100	.100
1995	.700	.700	.800	.800	3.650	3.650	.100	.100
1996	.700	.700	.800	.800	3.650	3.650	.100	.100
1997	.700	.700	.800	.800	3.650	3.650	.100	.100
1998	.700	.700	.800	.800	3.650	3.650	.100	.100
1999	.700	.700	.800	.800	3.650	3.650	.100	.100

TAX LEVIES (Millages):

Fiscal Year (1)	<u>City of Fort Smith</u>		<u>Sebastian County</u>		<u>Fort Smith School District</u>		<u>Fort Smith Library</u>	
	<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>
1990	7.50	7.50	8.00	8.00	36.50	36.50	1.00	1.00
1991	7.50	7.50	8.00	8.00	36.50	36.50	1.00	1.00
1992	7.50	7.50	8.00	8.00	36.50	36.50	1.00	1.00
1993	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1994	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1995	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1996	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1997	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1998	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1999	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00

(1) Fiscal year is year of levy.

(Continued on following page)

CITY OF FORT SMITH, ARKANSAS

DIRECT PROPERTY TAX RATES AND TAX LEVIES
ALL DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS
(Unaudited)

Westark Community College		Total	
<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>
.525	.525	5.825	5.825
.525	.525	5.825	5.825
.525	.525	5.825	5.825
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775

Westark Community College		Total	
<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>
5.25	5.25	58.25	58.25
5.25	5.25	58.25	58.25
5.25	5.25	58.25	58.25
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75

(Continued)

CITY OF FORT SMITH, ARKANSASSPECIAL ASSESSMENT COLLECTIONSLAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Current Assessment Due</u>	<u>Current Assessment Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Current and Delinquent Assessments</u>
1990	\$10,174	\$ 9,171	90.14%	\$ 9,810
1991	\$ 9,218	\$ 6,264	67.95%	\$ 12,401
1992 (1)	\$ -	\$ -	-	\$ 11,466
1993	\$ -	\$ -	-	\$ -
1994	\$ -	\$ -	-	\$ -
1995	\$ -	\$ -	-	\$ -
1996	\$ -	\$ -	-	\$ -
1997	\$ -	\$ -	-	\$ -
1998	\$ -	\$ -	-	\$ -
1999	\$ -	\$ -	-	\$ -

- (1) The levy of assessments against property owners within the Executive Park Street Improvement District was terminated by the adoption of Ordinance No. 47-92 dated July 21, 1992. Therefore, there was no current assessment due for 1992 and the remaining balance of assessments outstanding represents unpaid assessments from prior years.

CITY OF FORT SMITH, ARKANSAS

RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (1)</u>	<u>Less Debt Service Funds (3)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1990	72,798	\$535,942	\$745,000	\$142,552	\$602,448	.11%	\$ 8.28
1991	72,798	\$586,336	\$515,000	\$142,369	\$372,631	.06%	\$ 5.12
1992	72,798	\$599,119	\$265,000	\$148,202	\$116,798	.02%	\$ 1.60
1993	72,798	\$617,440	\$ -	\$ -	\$ -	-	\$ -
1994	72,798	\$634,694	\$ -	\$ -	\$ -	-	\$ -
1995	72,798	\$674,771	\$ -	\$ -	\$ -	-	\$ -
1996	72,798	\$721,029	\$ -	\$ -	\$ -	-	\$ -
1997	72,798	\$731,776	\$ -	\$ -	\$ -	-	\$ -
1998	72,798	\$761,115	\$ -	\$ -	\$ -	-	\$ -
1999	72,798	\$780,777	\$ -	\$ -	\$ -	-	\$ -

(1) Includes General Obligation Bonds only.

(2) From Table 4 (in 000's).

(3) Amount available for repayment of General Obligation Bonds.

CITY OF FORT SMITH, ARKANSAS

COMPUTATION OF LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

(Unaudited)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Net assessed value (1)	\$535,941,520	\$586,335,707	\$599,118,858	\$617,440,352
Plus exempt property	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Total assessed value	<u>\$535,941,520</u>	<u>\$586,335,707</u>	<u>\$599,118,858</u>	<u>\$617,440,352</u>
Debt limit - 25% of total assessed value (3)	\$133,985,380	\$146,583,927	\$149,779,115	\$154,360,088
Amount of debt applicable to limit (4)	<u>602,448</u>	<u>372,631</u>	<u>116,798</u>	<u>-</u>
Debt margin	<u>\$133,382,932</u>	<u>\$146,211,296</u>	<u>\$149,662,317</u>	<u>\$154,360,088</u>

(1) From Table 4.

(2) Not available.

(3) Limitation is established by State Statute.

(4) Includes General Obligation Debt net of assets available for bond retirement. See Table 7.

(Continued on following page)

CITY OF FORT SMITH, ARKANSAS

COMPUTATION OF LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

(Unaudited)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
\$634,693,660	\$674,770,670	\$721,029,425	\$731,776,011	\$761,115,360	\$780,777,353
<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
<u>\$634,693,660</u>	<u>\$674,770,670</u>	<u>\$721,029,425</u>	<u>\$731,776,011</u>	<u>\$761,115,360</u>	<u>\$780,777,353</u>
\$158,673,415	\$168,692,668	\$180,257,356	\$182,944,003	\$190,278,840	\$195,194,338
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$158,673,415</u>	<u>\$168,692,668</u>	<u>\$180,257,356</u>	<u>\$182,944,003</u>	<u>\$190,278,840</u>	<u>\$195,194,338</u>

(Continued)

CITY OF FORT SMITH, ARKANSASCOMPUTATION OF DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 1999
(Unaudited)

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to the City of Fort Smith (2)</u>	<u>Amount Applicable to the City of Fort Smith</u>
City of Fort Smith (3)	\$38,035,000	100%	\$38,035,000
Fort Smith School District	\$ 1,150,000	95%	1,092,500
Sebastian County	\$ 650,000	76%	<u>494,000</u>
Total			<u>\$39,621,500</u>

(1) Net debt outstanding refers to principal only.

(2) The percentage applicable to the City of Fort Smith is based on the relative assessed values within the City of Fort Smith.

(3) Includes only government debt of the City.

CITY OF FORT SMITH, ARKANSAS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES (1)

LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Expenditures (2)</u>	<u>Ratio of Debt Service Expenditures To Total Expenditures (Percent)</u>
1990	\$ 230,000	\$ 64,414	\$ 294,414	\$24,165,196	1.22%
1991	\$ 230,000	\$ 45,605	\$ 275,605	\$28,290,985	.97%
1992	\$ 250,000	\$ 31,500	\$ 281,500	\$25,801,154	1.09%
1993	\$ 265,000	\$ 13,640	\$ 278,640	\$25,234,591	1.10%
1994	\$ -	\$ -	\$ -	\$31,892,924	-
1995	\$ -	\$ -	\$ -	\$35,264,813	-
1996	\$ -	\$ -	\$ -	\$35,693,658	-
1997	\$ -	\$ 252,333	\$ 252,333	\$37,489,969	.07%
1998	\$2,100,000	\$2,140,216	\$4,240,216	\$41,198,093	10.29%
1999	\$5,520,000	\$1,965,305	\$7,485,305	\$46,617,058	16.06%

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) From Table 1.

CITY OF FORT SMITH, ARKANSASREVENUE BOND DEBT SERVICE COVERAGELAST TEN FISCAL YEARS

(Unaudited)

	<u>Fiscal Year</u>	<u>Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>
Water and Sewer System	1990	\$12,855,365	\$ 6,869,885	\$5,985,480
	1991	\$12,913,361	\$ 7,504,641	\$5,408,720
	1992	\$12,838,399	\$ 8,377,522	\$4,460,877
	1993	\$13,383,908	\$ 8,839,580	\$4,544,328
	1994	\$13,583,316	\$ 8,771,983	\$4,811,333
	1995	\$13,916,768	\$ 9,614,955	\$4,301,813
	1996	\$14,233,369	\$10,395,390	\$3,837,979
	1997	\$14,109,692	\$10,787,499	\$3,322,193
	1998	\$14,595,971	\$11,178,704	\$3,417,267
	1999	\$17,666,495	\$11,906,342	\$5,760,153
Solid Waste System	1990	\$ 3,904,258	\$ 2,759,743	\$1,144,515
	1991	\$ 4,422,905	\$ 3,603,001	\$ 819,904
	1992	\$ 4,935,237	\$ 4,245,900	\$ 689,337
	1993	\$ 5,689,923	\$ 4,225,254	\$1,464,669
	1994	\$ 6,532,027	\$ 4,844,436	\$1,687,591
	1995	\$ 7,161,396	\$ 5,244,807	\$1,916,589
	1996	\$ 7,253,381	\$ 5,305,828	\$1,947,553
	1997	\$ 7,305,144	\$ 5,819,320	\$1,485,824
	1998	\$ 7,489,476	\$ 5,967,537	\$1,521,939
	1999	\$ 8,220,315	\$ 6,533,853	\$1,686,462

- (1) For purposes of this schedule, revenue includes operating revenue and interest revenue.
(2) Excludes depreciation expense and amortization expense.
(3) No principal payments required in these years.
(4) Total interest paid for the fiscal year is presented in this schedule including capitalized interest.

(Continued on following page)

CITY OF FORT SMITH, ARKANSAS

REVENUE BOND DEBT SERVICE COVERAGE

LAST TEN FISCAL YEARS

(Unaudited)

Debt Service Requirements			Coverage
Principal	Interest (4)	Total	
\$ 910,000	\$1,607,093	\$2,517,093	238%
\$ 955,000	\$1,612,278	\$2,567,278	211%
\$1,005,000	\$1,592,593	\$2,597,593	172%
\$1,060,000	\$1,504,925	\$2,564,925	177%
\$ 545,000	\$1,883,279	\$2,428,279	198%
\$ 765,000	\$1,740,437	\$2,505,437	172%
\$1,040,000	\$1,417,850	\$2,457,850	156%
\$1,080,000	\$1,373,600	\$2,453,600	135%
\$1,125,000	\$1,325,023	\$2,450,023	139%
\$1,170,000	\$1,610,697	\$2,780,697	207%
\$ -	\$ -	\$ -	-%
\$ -	\$ -	\$ -	-%
\$ -	\$ -	\$ -	-%
\$ -	\$ 134,151	\$ 134,151	1,092% (3)
\$ -	\$ 246,052	\$ 246,052	686% (3)
\$ 485,000	\$ 613,738	\$1,098,738	174%
\$ 505,000	\$ 698,718	\$1,203,718	162%
\$ 525,000	\$ 674,991	\$1,199,991	124%
\$ 450,000	\$ 617,605	\$1,067,605	143%
\$ 610,000	\$ 555,378	\$1,165,378	145%

(Continued)

CITY OF FORT SMITH, ARKANSASPROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITSLAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Property Value (in thousands) (2)</u>	<u>Commercial Construction (1)</u>		<u>Residential Construction (1)</u>		<u>Bank (in thousands)</u>
		<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	
1990	\$1,851,603	44	\$ 6,923,264	172	\$17,627,768	(3)
1991	\$2,042,751	37	\$15,007,256	156	\$12,413,781	(3)
1992	\$2,114,642	37	\$11,792,319	180	\$15,724,790	(3)
1993	\$2,188,263	52	\$22,340,871	197	\$21,440,868	(3)
1994	\$2,235,098	48	\$22,546,203	128	\$14,687,860	(3)
1995	\$2,324,053	57	\$21,221,234	193	\$18,809,705	(3)
1996	\$2,503,513	44	\$21,868,896	254	\$29,424,394	(3)
1997	\$2,514,333	48	\$20,233,050	195	\$17,778,640	(3)
1998	\$2,610,092	60	\$60,970,776	234	\$23,183,003	(3)
1999	\$2,675,345	76	\$51,386,195	269	\$37,904,702	(3)

(1) City of Fort Smith Building Department Estimate.

(2) From Table 4.

(3) Not available.

CITY OF FORT SMITH, ARKANSASPRINCIPAL TAXPAYERS

DECEMBER 31, 1999
(Unaudited)

<u>Name of Taxpayer (1)</u>	<u>Kind of Property</u>	<u>1999 Assessed Valuation (2)</u>	<u>Percentage of Total Assessed Valuation</u>
Whirlpool Corp.	Refrigeration Products Manufacturing Warehouse	\$12,995,775	1.71%
Oklahoma Gas & Electric Co.	Electric Utility	11,742,003	1.54
Gerber Products	Baby Food Processing Plant	8,770,375	1.15
Wal-Mart	Retail Shopping Center	8,618,835	1.13
Southwestern Bell	Telecommunications	8,376,928	1.10
CMFS Limited Partnership (Central Mall)	Retail Shopping Center	6,726,050	.88
Planters Lifesavers	Peanut Processing Plant	6,395,265	.84
Arkansas Oklahoma Gas Corp.	Natural Gas Utility	6,120,758	.80
Arkansas Best Corporation	Office Complex	5,806,940	.76
Hiram Walker	Cordials Industry	<u>5,610,810</u>	<u>.74</u>
		<u>\$81,163,739</u>	<u>10.65%</u>

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 1999 are based upon 1998 assessed valuation.

CITY OF FORT SMITH, ARKANSASINSURANCE IN FORCEDECEMBER 31, 1999

(Unaudited)

<u>Insurance Company</u>	<u>Premium</u>	<u>Policy No.</u>	<u>Expiration Date</u>
Hartford Insurance Co.	\$143,055	38UENQH0247	06-19-00
St. Paul	\$ 4,220	GL00300594	09-16-00
Cincinnati Insurance Co.	\$ 81,057	38UENLT8486	08-15-00
CGU	\$ 4,983	CUAER192692	12-04-00
Arkansas Insurance Department	\$ 3,874	Not Applicable (Pool)	12-31-99
Old Republic Surety Corp.	\$ 2,500	LSC821592	02-10-00
Hartford Insurance Co.	\$ 41,678	38UENQH0245	06-19-00
Cincinnati Insurance Co.	\$ 750	CAP3438141	09-23-00
Old Republic Surety Corp.	\$ 250	LSC1037206	04-11-00
General Accident	\$ 1,092	SCP024443801	05-26-00
Hartford Insurance Co.	\$ 385	38UENG2322	05-13-00
Commercial Union	\$ 1,000	AER49406	12-04-00
Nautilus Insurance Co.	\$ 1,082	NC04303101	08-01-00
Hartford Insurance Co.	\$ 3,025	BEP2646868	06-19-00

(Continued on following page)

CITY OF FORT SMITH, ARKANSASINSURANCE IN FORCEDECEMBER 31, 1999

(Unaudited)

<u>Coverage</u>	<u>Amount or Limit</u>
Vehicle liability with extended coverage and uninsured motorist medical and physical	Actual Cash Value up to \$ 100,000 per loss
Comprehensive general liability civic center	\$ 1,000,000 Combined
Fire and extended coverage for City-owned buildings	\$127,485,786
Direct property insurance and comprehensive general liability - port	\$ 1,262,000
Municipal officials and employees blanket bond	\$ 300,000
Arkansas Highway Department right-of-way bond	\$ 250,000
Vehicle liability on sanitation roll-off container trucks	\$ 500,000
Miscellaneous property - TV inspection and grouting systems servers (Utilities) and Enviro Deployer Unit (Sanitation)	\$ 108,000
Arkansas Highway Department Right of Way Bond (Crawford Co.)	\$ 25,000
Liability Insurance Parcel of Land Beneath Garrison Avenue Bridge	\$ 1,000,000
Temporary Buildings for "P" Street	\$ 1,000,000
Multi-Peril for Port Authority 100 Navy Dr.	\$ 76,000
Refuse Containers	\$ 500,000
Boiler Insurance	\$ 6,000,000

CITY OF FORT SMITH, ARKANSASDEMOGRAPHIC STATISTICSLAST TEN FISCAL YEARS

(Unaudited)

<u>Fiscal Year</u>	<u>City Population</u>	<u>Sebastian County Population</u>	<u>Per Capita Income (4)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Schooling (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1990	72,798	99,590	\$13,240	32.5	12.2	12,252	7.1%
1991	72,798	99,590	\$13,524	32.5	12.2	12,361	7.4%
1992	72,798	99,590	\$14,296	34.4	12.2	12,361	7.2%
1993	72,798	99,590	\$15,168	34.4	12.2	12,601	4.7%
1994	72,798	99,590	\$15,939	34.4	12.2	12,514	4.7%
1995	72,798	99,590	\$15,276	34.4	12.2	12,570	4.5%
1996	72,798	99,590	\$16,057	34.4	12.2	12,763	5.0%
1997	72,798	99,590	\$16,661	34.4	12.2	12,741	4.7%
1998	72,798	99,590	\$17,116	34.4	12.2	12,496	4.3%
1999	72,798	99,590	(5)	34.4	12.2	12,430	3.3%

(1) Community Development Department's Estimate.

(2) Fort Smith School District.

(3) Arkansas Employment Security Division.

(4) Chamber of Commerce.

(5) Not available.

CITY OF FORT SMITH, ARKANSASMISCELLANEOUS STATISTICAL DATADECEMBER 31, 1999

(Unaudited)

Form of Government	City Administrator
Area	47.71 square miles
Date of Incorporation	December 24, 1842
Miles of Streets	532 miles
Number of Street Lights	5,350
Number of Traffic Signals	122
Fire Protection:	
Number of stations	10
Number of firefighters and officers (exclusive of volunteer firefighters)	125
Police Protection:	
Number of stations	1
Number of police members and officers	152
Municipal Water Department:	
Number of consumers	28,439
Average daily production capacity	45,000,000 gallons
Average daily production	27,821,000 gallons
Maximum average daily consumption	47,297,000 gallons
Miles of water main	570 miles
Sewers:	
Sanitary sewers	470 miles
Storm sewers	7,900
Average daily sewage flow	13,800,000 gallons
Building Permits Issued	2,379
Recreation and Culture:	
Number of parks	11 with 287.27 acres
Number of libraries	3 (one main, three branch)
Number of volumes	135,000
Employees:	
Exempt	110
Nonexempt	<u>683</u>
Total employees	<u>793</u>

CITY OF FORT SMITH, ARKANSASPRINCIPAL EMPLOYERS BY NUMBER OF EMPLOYEES

DECEMBER 31, 1999
(Unaudited)

<u>Company</u>	<u>Business or Product</u>	<u>Number of Employees</u>
Whirlpool Corporation	Ice makers, refrigerators	4,200
O K Foods	Frozen processed chicken parts	4,000
Sparks Health System	Hospital	2,800
Baldor Electric	Grinders, drives, electric motors	1,711
Rheem-Ruud	Residential heat/air equipment	1,651
St. Edward Mercy Medical Center	Hospital	1,600
Fort Smith Public Schools	Education	1,565
Riverside Furniture	Wooden upholstered furniture, sofas	1,325
Beverly Enterprises	Nursing homes	870
Trane Company	Air conditioning equipment, heat pumps	850
Arkansas Best	Transportation industry	800
City of Fort Smith	Government	793
Cooper Clinic	Medical clinic	650
Westark College	Educational Institution	638
Gerber Products	Baby foods; infant cereal	625

Source: Fort Smith Chamber of Commerce

CITY OF FORT SMITH, ARKANSAS

LOCAL SALES AND USE TAX COLLECTIONS

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	1% City Sales & Use Tax Allocated for Streets (1)	1% City Sales & Use Tax Allocated for Lee Creek Water Project (2)	City Share 1% County Sales & Use Tax (3)	1/2% City Sales & Use Tax Allocated for Bonds (4)	Total
1990	\$ 9,217,302	\$ 9,217,302	\$ -	\$ -	\$ 18,434,604
1991	9,654,332	9,654,332	-	-	19,308,664
1992	10,424,649	10,424,649	-	-	20,849,298
1993	11,552,565	2,803,197	-	-	14,355,762
1994	12,431,109	-	2,839,430	-	15,270,539
1995	12,472,680	-	10,072,904	-	22,545,584
1996	13,379,605	-	10,652,914	-	24,032,519
1997	13,504,781	-	10,925,683	-	24,430,464
1998	13,936,617	-	11,243,858	6,253,603	31,434,078
1999	<u>14,689,273</u>	<u>-</u>	<u>11,812,187</u>	<u>7,344,637</u>	<u>33,846,097</u>
Total	<u>\$121,262,913</u>	<u>\$32,099,480</u>	<u>\$57,546,976</u>	<u>\$13,598,240</u>	<u>\$224,507,609</u>

- (1) The 1% City Sales & Use Tax allocated for construction, repair and maintenance of streets, bridges, and associated drainage improvements was initially assessed in 1985 for a period of 10 years. The tax was reaffirmed by the citizens in 1995 for an additional 10 years. The tax is accounted for in the Sales Tax Fund, a special revenue fund.
- (2) The 1% City Sales & Use Tax allocated to redeem the City of Fort Smith Sales & Use Tax Bonds, Series 1988, was the financing method for construction of the Lee Creek Water Impoundment Project. The collection of the special assessment began January 1, 1989, and ended February 28, 1993, when the bonds were redeemed in full.
- (3) Sebastian County began assessing a 1% Sales & Use Tax August 1, 1994. The City receives a share of the tax based upon its population within Sebastian County. The City allocates its share as follows: 57% to the General Fund, 33% to the Water and Sewer Fund, and 10% to the Sanitation Fund.
- (4) The 1/2% City Sales and Use Tax allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 1997 is the financing method for the construction of the civic center, public library, and riverfront park projects. The tax became effective January 1, 1998.

CITY OF FORT SMITH, ARKANSASSOLID WASTE SYSTEM STATISTICSDECEMBER 31, 1999
(Unaudited)

<u>Fiscal Year</u>	<u>Sanitation System Customers</u>	<u>Cubic Yardage of Waste at Landfill</u>	<u>Useful Life of Landfill Remaining</u>	<u>Remaining Storage Capacity at Landfill</u>
1993	212,910	993,173	20 years	13,387,000 cubic yards
1994	215,980	957,374	19 years	12,907,000 cubic yards
1995	219,075	979,533	18 years	12,417,000 cubic yards
1996	220,150	1,076,172	17 years	11,857,000 cubic yards
1997	221,300	1,175,821	16 years	11,357,000 cubic yards
1998	223,480	1,160,034	15 years	10,907,000 cubic yards
1999	272,616	1,369,106	14 years	10,550,000 cubic yards

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ARTHUR ANDERSEN

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH ARKANSAS STATE STATUTES**

To the Honorable Mayor,
City Board of Directors and City Administrator,
City of Fort Smith, Arkansas:

We have audited the general purpose financial statements of the City of Fort Smith, Arkansas (the "City"), as of and for the year ended December 31, 1999, and have issued our report thereon dated April 20, 2000. As part of our audit, we made a study and evaluation of the City's internal control system (including the practices and procedures required by the following Arkansas state statutes: Municipal Accounting Law, Act 159 of 1973, Municipal Court, and Police Department, Act 332 of 1977, Bonding of Municipal Officers and Employees, Act 728 of 1987 and Act 319 of 1993, Improvement Contract over \$10,000, Act 159 of 1949, Budgets, Purchases over \$2,000, Payments of Claims, Etc., Act 28 of 1959, Investment of Public Funds, Act 273 of 1943 and Act 106 of 1973, Deposit of Public Funds, Act 21 of 1935, Act 57 of 1945 and Act 107 of 1973), to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards.

In planning and performing our audit of the general purpose financial statements of the City for the year ended December 31, 1999, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and to report on the internal control structure in accordance with OMB Circular A-133.

The management of the City is responsible for establishing and maintaining an internal control system and the practices and procedures referred to in the first paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure of the policies and procedures referred to in the first paragraph. The objectives of the internal control structure and the practices and procedures referred to above are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control system and the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the practices and procedures referred to above, we obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation, and we assessed control risk. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might constitute a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the City in a separate letter dated April 20, 2000.

This report is intended solely for the information of management and the Arkansas General Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Dallas, Texas,
April 20, 2000

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